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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning the Manufacture, Distribution
and Sale of Specialty Bags and
Related Products



DEPARTMENT OF JUSTICE
OTTAWA



THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

RTPC No. 6

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RESTRICTIVE TRADE PRACTICES COMMISSION

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AND SALE OF SPECIALTY BAGS AND
RELATED PRODUCTS

COMBINES INVESTIGATION ACT

Ottawa
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RESTRICTIVE TRADE PRACTICES COMMISSION

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Chairman

Pierre Carignan, Q.C., M.A., LL.L.
Member

A. S. Whiteley, B.A., M.A.
Member



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RESTRICTIVE TRADE PRACTICES COMMISSION

Ottawa

March 11, 1960

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

Dear Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with specialty bags and related products.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of sections 18 and 19 of the Act.

Argument on the Statement of Evidence was heard in proceedings before Mr. C. Rhodes Smith, Q.C., Chairman and Mr. A. S. Whiteley, Member of the Commission in Ottawa between September 14 and 17, 1959. At these proceedings Messrs. J.J. Quinlan and R.I. Milner appeared on behalf of the Director of Investigation and Research and Messrs. Hazen Hansard, Q.C., A. J. MacIntosh, J.D. Arnup, Q.C., W. S. Sewell, Q.C., R. M. Sedgewick, J. A. Langford, F.D. Turville, Q.C., R. J. Zimmerman, W. G. Gray, Q.C., C. W. Woollcombe, G. D. Finlayson, R. deWolfe MacKay, Q.C., and J. G. Ahern, Q.C. appeared on behalf of the parties mentioned in the Statement of Evidence.

Mr. Pierre Carignan, Q.C. did not join the Commission until after the hearing in the inquiry and consequently took no part in the preparation of this report.

Yours faithfully,

(Sgd.) C. Rhodes Smith

C. Rhodes Smith
Chairman

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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry was brought before the Restrictive Trade Practices Commission by the Director of Investigation and Research under the Combines Investigation Act, pursuant to Section 18 of the Combines Investigation Act, R.S.C. 1952, Chapter 314, as amended by Chapter 51 of the Statutes of Canada, 1953-54, which reads as follows:

"18. (1) At any state of an inquiry,

(a) the Director may, if he is of the opinion that the evidence obtained discloses a situation contrary to section 32 or 34 of this Act, or section 411 or 412 of the Criminal Code, and

(b) the Director shall, if so required by the Minister, prepare a statement of the evidence obtained in the inquiry, which shall be submitted to the Commission and to each person against whom an allegation is made therein.

(2) Upon receipt of the statement referred to in subsection (1), the Commission shall fix a place, time and date at which argument in support of such statement may be submitted by or on behalf of the Director, and at which such persons against whom an allegation has been made in such statement shall be allowed full opportunity to be heard in person or by counsel.

(3) The Commission shall, in accordance with this Act, consider the statement submitted by the Director under subsection (1) together with such further or other evidence or material as the Commission considers advisable.

(4) No report shall be made by the Commission under section 19 or 22 against any person unless such person has been allowed full opportunity to be heard as provided in subsection (2)."

A Statement of the evidence obtained in the inquiry was prepared by the Director of Investigation and Research and submitted under date of February 10, 1959 to the Restrictive Trade Practices Commission and to the companies against whom allegations were made therein.

2. Allegations Made in the Statement
of Evidence

In the Statement of Evidence the Director refers to matters related to the distribution and sale of specialty bags and also to matters related to the distribution and sale of foil, which is one material used for conversion into bags. However, the Statement of Evidence was not submitted to the suppliers of foil, as such, and two of the three suppliers mentioned in the Statement were not included among the companies named by the Director as being the principal parties to the alleged restrictive arrangements in regard to specialty bags.

No argument was heard by the Commission with respect to matters relating to the distribution and sale of foil, and two of the companies engaged in this field were not represented at the hearing before the Commission. This aspect of the inquiry is, therefore, excluded from consideration in this report.

It was the general allegation of the Director that during the period 1955 and 1956 a combination existed in the distribution and sale of specialty bags which has operated and was likely to operate to the detriment or against the interest of the public within the meaning of Section 2 (a) of the Combines Investigation Act and that the combination has prevented competition or lessened it unduly within the meaning of Section 411 of the Criminal Code. Particulars of the allegations were given in the Statement of Evidence, as follows:

"315. It was stated in evidence that the number of companies to whom the arrangements, relating to the bag account lists, extended, was limited and that the volume of sales thereto constituted less than half of the sales of specialty bags. It would nevertheless appear that it was with these accounts that much of the competition in the industry existed. P. S. Newell of Dominion Envelope, Toronto, stated that price was not always the essential consideration in getting business (Evidence, p. 225) but it would appear that to those customers whose names were on the lists circulated by Mr. Newell, price was a prime consideration in placing an order. The effect of the joint arrangements would come to bear not only upon

such accounts themselves but also upon specialty bag customers generally, since the levels of prices established for such accounts would necessarily affect the levels of prices for other accounts as well. For this reason it is alleged that the arrangements among the members of the Specialty Bag Association had the effect of substantially lessening competition not only as regards the customers whose names appeared upon the lists, but in the specialty bag market generally.

316. The arrangements relating to the foil bag price list among those members of the Specialty Bag Association who were interested in foil bags also lessened competition substantially. It would appear that P. S. Newell's preparation of a price list for foil bags, based in part upon the price lists of Aluminum Rolling Mills and Canada Foils, and the distribution of this price list to interested members of the Association, had the effect of establishing a common price for the foil bags listed thereon.

. . .

318. It is alleged that, during the years 1955 and 1956, arrangements were entered into for the purpose of preventing or lessening competition unduly in the production, purchase, sale or supply of specialty bags and that the following companies were the principal parties to such arrangements:

Appleford Paper Products Limited
Associated Paper Mills Ltd.
W. J. Bell Paper Company Limited
Bradshaw's Limited
Canada Foils, Limited
The Continental Paper Products, Limited
John Dickinson & Co. (Canada) Limited
Dominion Envelope Company Limited
International Envelope Limited
Kilgour's Limited
The MacGregor Paper & Bag Company, Incorporated
Quality Paper Bags Limited
E. S. & A. Robinson (Canada) Limited
Wedlock Paper Bag Company Limited"

The following designations of the parties named in the allegations of the Director may sometimes be used in this report:

Appleford Paper Products Limited	- Appleford
Associated Paper Mills Ltd.	- Associated

W. J. Bell Paper Company Limited	- W. J. Bell
Bradshaw's Limited	- Bradshaw's
Canada Foils, Limited	- Canada Foils
The Continental Paper Products, Limited	- Continental
John Dickinson & Co. (Canada) Limited	- John Dickinson
Dominion Envelope Company Limited	- Dominion Envelope
International Envelope Limited	- International Envelope
Kilgour's Limited	- Kilgour's
The MacGregor Paper & Bag Company, Incorporated	- MacGregor
Quality Paper Bags Limited	- Quality
E. S. & A. Robinson (Canada) Limited	- E.S. & A. Robinson
Wedlock Paper Bag Company Limited	- Wedlock

Descriptions of the companies which were given in the Statement of Evidence will be found in the Appendix to this report.

3. Conduct of the Inquiry

During the course of the inquiry conducted by the Director of Investigation and Research visits were made by representatives of the Director to the premises of a number of companies engaged in the bag industry and related industries and large numbers of documents were obtained by the Director. After the documents had been copied the originals were returned to the premises from which they had been obtained. These documents were all marked with code letters in the upper right-hand corner to indicate the particular premises on which they were found, and each sheet of every document was marked with a separate serial number in the lower right-hand corner which enables it to be distinguished from all other documents. In this report both code letters and serial numbers will be given in referring to a particular documents placed before the Commission.

The Director also asked for and obtained returns of information by way of answers to questionnaires which he sent to a number of companies under the authority of the Combines Investigation Act.

Oral evidence was obtained by the Director at hearings held before Mr. C. Rhodes Smith, Q.C., Chairman, Restrictive Trade Practices Commission, at Toronto, Ontario on July 30, 31 and August 1, 1957 pursuant to Section 17 of the Act, when the following witnesses were examined:

Mr. P. S. Newell	- President, Dominion Envelope Company Limited Toronto.
------------------	--

Mr. A. D. Bone

- formerly General Sales Manager,
Canada Foils, Limited,
Toronto.

On receipt of the Statement of Evidence the Commission, in accordance with the provisions of Section 18 of the Act, by an order dated April 9, 1959 fixed Wednesday, the 20th day of May, 1959, at the hour of 10 o'clock in the forenoon in the City of Ottawa, in the Province of Ontario, as the date, time and place at which argument in support of the Statement of Evidence could be submitted and at which persons against whom any allegation had been made in such Statement would be allowed full opportunity to be heard in person or by counsel. At the request of counsel for a number of the parties concerned in the inquiry, the date was subsequently changed to Monday, the 14th day of September, 1959 at which date the hearing began before the Chairman of the Commission and Mr. A. S. Whiteley, Member of the Commission, in a Court Room of the Exchequer Court, Supreme Court Building, Ottawa. At the hearing, which continued on September 15, 16 and 17 the following appearances were entered:

Mr. J. J. Quinlan Mr. R. I. Milner	- For the Director of Investigation and Research
Mr. Hazen Hansard, Q.C.	- For The Continental Paper Products, Limited
Mr. R. M. Sedgewick Mr. J. A. Langford	- For Dominion Envelope Com- pany Limited
Mr. A. J. MacIntosh	- For John Dickinson & Co. (Canada) Limited
Mr. F. D. Turville, Q.C. Mr. R. J. Zimmerman	- For Canada Foils, Limited
Mr. C. W. Woollcombe	- For Bradshaw's Limited and Quality Paper Bags Limited
Mr. G. D. Finlayson	- For Appleford Paper Products Limited
Mr. W. G. Gray, Q.C.	- For Wedlock Paper Bag Company Limited
Mr. J. D. Arnup, Q.C. Mr. W. S. Sewell, Q.C.	- For E. S. & A. Robinson (Canada) Limited
Mr. J. G. Ahern, Q.C.	- For Kilgour's Limited and The MacGregor Paper & Bag Company, Incorporated

Mr. R. de Wolfe MacKay, Q.C. - For W. J. Bell Paper Company Limited

Associated Paper Mills Ltd. was not represented at the hearing by counsel but Mr. H. S. Weiser appeared for the company. International Envelope Limited was not represented at the hearing before the Commission.

No witnesses were called at the hearing before the Commission.

Whenever reference is made in this report to the transcript of the evidence of either witness who appeared before the Chairman it will be done as follows: (Evidence, p. . . .). If reference is made to the transcript of the hearing before the Commission it will be done as follows: (Hearing, p. . . .).

4. Position Taken by the Respective Parties with Respect to the Allegations

A considerable time before the date of the hearing held by the Commission the Director informed the parties that he was relying on the Statement of Evidence and did not intend to present a main argument in support of the Statement to the Commission. At the opening of the hearing the same position was taken on behalf of the Director although the usual right of reply was not waived.

Objection was taken by counsel for the respective parties to the decision of the Director not to present argument in support of the Statement. It was contended that in the absence of argument by the Director the exact nature and bearing of the evidence and allegations given in the Statement of Evidence were not clearly apparent and individual parties were not made fully aware of the matters which each had to meet. The Act provides in Section 18 that the parties against whom allegations are made shall be allowed full opportunity to be heard and the failure of the Director to present argument in support of the Statement, it was contended, made it impossible for an individual company to know the particulars of the evidence and allegations it had to meet and thus did not give it the full opportunity to be heard intended by the Act.

It was pointed out by the Chairman that Section 18 (2) of the Act reads "argument in support of such statement may be submitted by or on behalf of the Director" and that, therefore, there is no compulsion on the Director to present argument if he decides to rely on the Statement without argument. However, if the Director

foregoes the opportunity to present argument in support of the Statement he should be accorded only a restricted right of reply as in court proceedings.

In giving notice of the hearing the Commission, in accordance with its usual practice, had requested the parties to submit, in advance of the hearing, if possible, a statement indicating the position taken with respect to the facts and conclusions set out in the Statement of Evidence. Briefs stating the positions of some parties were received by the Commission before the date of the hearing and the positions taken by other parties were stated at the opening or during the course of the hearing. As similar positions were taken on a number of matters these may be summarized as follows:

1. The jurisdiction of the Commission is founded on the alleged existence of offences against the law or situations contrary to it. The essentials of an offence are "conspiracy" and "undueness", that is, conspiracy to unduly restrict competition. With regard to undueness the jurisprudence is that in situations short of virtual monopoly an offence is not presumed: the Crown must show positively that public detriment exists. In a situation where it can be shown that a virtual monopoly exists, which permits conspirators to carry on their operations virtually free of competition, then an offence is presumed. The Director's task in the Statement of Evidence is, therefore, to offer proof of any undue restriction of competition or public detriment; or, alternatively, to show that the conspirators had a virtual monopoly of the market.

2. The allegations of the Director were not properly set forth. Paragraph 318, which is the only direct allegation of misconduct in the whole Statement of Evidence, does not contain sufficient detail of the circumstances of the offence alleged against the named firms to give such firms reasonable information with respect to the acts or omissions to be proved against them as having been entered into for the purpose of preventing or lessening competition unduly in the production, purchase, sale or supply of specialty bags. The Statement thus fails to specify clearly the nature of each agreement with which the Director is charging the parties and to indicate in each case the evidence upon which the Director relies to implicate the parties. This lack of particularization denies each of the parties named reasonable opportunity to be heard. Particularly is this the case with respect to the booked price system.

3. There is no proof of undueness or public detriment presented in the Statement of Evidence. Any arrangements which existed among the firms in the specialty bag industry did not have the effect of substantially or unduly lessening competition either as regards the customers whose names appeared upon the lists of accounts in evidence or in the specialty bag markets generally.

4. There was no virtual monopoly possessed by the firms belonging to the specialty bag group because the latter group could not have controlled the market for specialty bags. The specialty bag market is actually wider than the field to which the Director has attempted, by improper and restrictive definition, to confine this case. The Director's figures on market control are erroneous and misleading.

5. There was no conspiracy among the members of the specialty bag group because there was no basic agreement among them and because there was no association in the proper sense of that word. The group had no constitution, by-laws, minutes, officers or secretary. The meetings were informal. There was no regular attendance. The activities of the group were not those of an association. There were no negotiations, no pricing arrangements, no clearing of prices on quotations. As there was never a specialty bag association in any true sense of the word, the Director's insistence on using the word "association" capitalized as though there were some formal organization is erroneous and misleading. The word "association" implies an entity in itself, and there is no entity involved here.

6. There is no evidence to support the contention that the preparation of a price list for foil bags had the effect of establishing a common price for foil bags. Circulation of this list of prices to the recipients did not constitute any agreement, express or implied, by the recipient companies to charge the prices shown on the list. Sales constantly took place at prices other than those shown on the list.

7. The services provided by Mr. Newell in ascertaining the booked price of non-foil bags in past transactions were performed to enable his competitors to make decisions which were more intelligent because they were based on facts known to be accurate. The booked price service did not contain any agreement or understanding that the last price at which a bag had been sold would not be undercut. There was no agreement to sell at the booked price.

8. There is nothing in the Statement of Evidence to substantiate the following conclusion: "The effect of the joint arrangements would come to bear not only upon such accounts themselves but also upon specialty bag customers generally, since the levels of prices established for such accounts would necessarily affect the levels of prices for other accounts as well." [Statement of Evidence, par.315]

9. The matters referred to in the Statement of Evidence in regard to Limitation of Quotations, Warehousing of Bags, Credit Arrangements, and Supply of Raw Material are in themselves not illegal and do not lend any support to the Director's allegations of misconduct as stated in Chapter IV.

10. Throughout the period dealt with by the Director in the Statement of Evidence there was substantial competition in the specialty bag market.

11. The Commission would have to do what the Director had failed to do -- that is, determine what were the arrangements which were alleged, who were the parties to reach such arrangements, and what evidence there was which implicated each party in each such arrangement.

12. Under-quotation below the last booked price was common practice in the industry and everybody did it. Information furnished by Mr. Newell as to the last booked price was merely a guide and nothing else.

13. The activities of the specialty bag group had come to an end prior to the taking of oral evidence in the inquiry. Thus the alleged agreement had existed only for a little over a year. Consequently the inquiry at this date is of historical interest only.

In addition to the foregoing arguments having general applicability to all companies, a number of arguments were presented which had reference to the position or interests of particular companies only. These arguments are given below.

14. On behalf of E. S. & A. Robinson it was argued that no customer lists were found in its possession, nor any documents indicating that E. S. & A. Robinson ever had such a list.

15. On behalf of Appleford it was argued that, inasmuch as Appleford did not manufacture or sell foil bags, paragraph 316 of the Statement of Evidence, dealing with alleged arrangements relating to foil bag price lists, had no relation to Appleford.

16. There is no evidence to show how, if at all, the information received by Appleford was used. There is nothing to show what Appleford's prices were or to whom it sold. Because of this lack of evidence the Commission should find no misconduct on Appleford's part.

17. Because Appleford is the only supplier in Canada of freshene, a special kind of bag, the fact that freshene price lists were found on the premises of Dominion Envelope is in no way improper.

18. No one from Appleford attended the meetings or participated in the policies relating to the proposed thirty-day limit on quotations, warehousing of bags, or discussions relating to prices of raw material sold to specialty bag manufacturers.

19. On behalf of Kilgour's Limited it was claimed that the company was not and never had been a member of any specialty bag association such as was described in the Statement of Evidence. It was submitted that Mr. G. F. Grinyer of the Toronto branch office had been instructed to attend meetings of the specialty bag manufacturers, but only as an observer; and that these instructions were never changed. Mr. Grinyer had not been authorized to enter into any discussion as to price fixing or other methods of lessening competition. Kilgour's did not ask at any time for any information from the Newell group concerning prices quoted by competitors. It was admitted, however, that Kilgour's did furnish information regarding its own quotations in one or two instances on the request of Mr. Newell, but Kilgour's made no use of the services offered by Mr. Newell. Mr. Grinyer never made, nor was he ever authorized by the company to make, any arrangement with any specialty bag manufacturer or association for the purpose of preventing or lessening competition unduly in the production, purchase or sale of specialty bags. It was submitted that the only inference which it is possible to draw from the references to Kilgour's in the Statement of Evidence is that it was not a party to any price-fixing agreement.

20. On behalf of MacGregor it was argued that the company was not and never had been a member of any specialty bag association such as was described in the Statement of Evidence. Even if the Statement of Evidence justified the conclusion that there was an association of specialty bag manufacturers, or that without the formality of organizing an association certain bag manufacturers made certain agreements among themselves, then MacGregor was not a party to such agreements. MacGregor never used Mr. Newell's services or the services of Mr. Newell's group to get information on the prices of competitors. Neither did MacGregor furnish any information concerning its own quotations to Newell or Newell's group. Although MacGregor received lists of certain clients of certain bag manufacturers from Mr. Newell, MacGregor made no use of them.

21. It was submitted on behalf of Canada Foils that the company produced its own price list for foil bags, Mr. Newell performing no service in any way related to this list. With regard to foil bags, Canada Foils discussed and arranged with no one. Canada Foils' business in bags other than foil bags was relatively unimportant, and with regard to foil bags Canada Foils made no use of Mr. Newell's services to obtain the last booked price, or in any other way.

22. It was submitted on behalf of John Dickinson that the company was not a party to any agreement by which the prices of specialty bags were fixed.

23. It was submitted on behalf of Bradshaw's that the company was not an active member of the specialty bag group and had played

a very minor part in it. With regard to foil bags, it was stated that Bradshaw's during 1955 did not sell any foil bags at all and that in 1956 its sales of foil bags amounted to only \$10,500. Hence, Bradshaw's was not a significant factor in any arrangement that might have existed. Bradshaw's was not accused by the Director in the Statement of Evidence of being party to any arrangement with regard to the prices of foil bags, and there was no evidence upon which to found such an allegation. In regard to that section of the Statement of Evidence which deals with notion and millinery bags, drug bags, freshene bags and coffee and tea bags, it was submitted that Bradshaw's manufactured only one of these, namely drug bags, in very small quantities, and only for Lawson & Jones, Limited, of which Bradshaw's is a wholly-owned subsidiary. It was stated that Bradshaw's sales records, which showed that the total sales of all specialty bags in 1955 amounted to \$207,000 and in 1956 to \$290,000, indicated that Bradshaw's share of the the market was 2.2 per cent in 1955 and 2.9 per cent in 1956, assuming that the figures for the specialty bag industry, as set out in paragraph 15 of the Statement of Evidence, were correct, which was not admitted.

24. It was submitted on behalf of Quality Paper Bags Limited that, although Mr. Manson of Quality had attended the first meeting of the specialty bag group on February 23, 1955, yet Quality Paper Bags Limited had ceased operation on March 1, 1955. Thus, Quality Paper Bags Limited could not have had anything to do with the specialty bag group, except for a period of some five or six days in February 1955. The attendance at other meetings by Mr. Manson could not have been in any capacity as an officer of Quality Paper Bags Limited, which after March 1, 1955 had ceased to exist.

CHAPTER II

THE PRODUCTS OF THE SPECIALTY BAG GROUP

1. Definition of a Specialty Bag

The Statement of Evidence describes the specialty bag in the following terms:

"4. Specialty bags, for the purposes of this Statement, include all types of bags manufactured from kraft, cellucine, glassine and aluminum foil as the basic raw materials, used singly or in combination. They exclude, however, grocery bags and, of course, bags manufactured from cellophane, polyethylene and pliofilm. Combinations of one or more of these basic materials are generally referred to as laminations and waxed coatings are frequently part of this process. The lamination process involves the use of two of the raw materials such as foil and sulphite paper laminated together by means of an adhesive (Evidence, pp. 309-10 and 349). Reference to the variations possible by the use of this process is contained in the following extract from the Modern Packaging Encyclopedia (Issue of November 1954, p. 145):

'Through the process of laminating, therefore, an infinite variety of combinations of materials can be made available to meet requirements of specific packaging problems that cannot be solved by any single web. The selection of materials, including the laminant used to adhere them together, depends upon the properties desired in the composite sheet.'

5. The lamination process involves as indicated the use of various kinds of material one of which is usually sulphite paper or, less often, bleached kraft or glassine. The laminated material is then spooled into rolls, the width of which is determined by the size of the bag required. This material is then put on a bag machine which prints on one end and forms a bag which is delivered at the other end. This is the converting process and the forming of the bag and the printing process could be done on separate machines (Evidence, p. 349).

6. Kraft paper is made entirely from woodpulp produced by a sulphate process. The natural colour is brown but by the use of semi-bleached or fully bleached sulphate pulp a complete range of colours is possible (Modern Packaging Encyclopedia Issue - November 1954, p. 58). This paper is available from a number of sources in Canada and the manufacturers of specialty bags indicated that Consolidated Paper Corporation Limited and Canada Paper Company were the principal suppliers but they also mentioned such sources as St. Lawrence Corporation Limited, the KVP Company Limited, Dryden Paper Company Limited and Brown Corporation (Returns of Information).

7. Glassine is a paper made from special woodpulp which have been highly refined. It can be used plain, coloured or greaseproof, both opaque and translucent (Modern Packaging Encyclopedia Issue - November 1954, p. 60).

8. Cellucine is also a woodpulp product (Evidence, p. 99) and the manufacturers of specialty bags for the most part obtain their supplies of cellucine and glassine from Alliance Paper Mills, Limited and Canadian Glassine Co. Ltd. One of the specialty bag manufacturers indicated the Rhinelander Paper Company as the source of glassine and cellucine. This Company is a manufacturer of glassine and related products located in Wisconsin, U.S.A. (Standard Corporation Records, p. 6452). Another company located in British Columbia indicated a company in Belgium as its source of glassine (Return of Information - Allied Paper Products Ltd.).

9. The foil which is used in the manufacture of the foil bags is aluminum foil (Evidence, p. 310). In the production of this aluminum foil, aluminum is first melted or cast into slabs. These slabs are then rolled into foil stock or strip or coil. Subsequently the aluminum coil stock may be laminated to some other material depending upon the end use (Evidence, p. 350).

10. One of the features of the specialty bag, apart from a few items, is that, generally speaking, these bags are not sold from stock. Their specialty feature and the special requirements of the particular customer usually make it necessary to manufacture the product only after a firm order has been received. For the same reason these bags, with the exception of foil bags, are usually not priced from a price list. A price must generally be worked out each time an order is placed and while the same price may be quoted on successive occasions, the system of specific pricing does permit a review of the costs on each occasion

of the placing of an order."

The Statement of Evidence makes the following comments on the nature of the operations of the companies engaged in making specialty bags and the structure of the industry:

"19. One of the characteristics of these companies is their diversification and integration. Not one of the companies named in this Statement as participants in the arrangements is engaged solely in the production of specialty bags as they are defined in this Statement. Some of these companies manufacture or market other types of bags, such as cellophane, polyethylene or grocery bags, while some companies manufacture envelopes. Five of these companies are subsidiaries of pulp and paper producers. Traditionally the raw materials of this phase of the specialty bag industry have been wood derivatives, such as kraft, sulphite, glassine and cellucine, but this appears to be giving way to foil, cellophane, polyethylene and other chemically derived materials. Increased integration and the high rate of innovation in the packaging industry may bring with it many problems for the remaining small independent producers of specialty bags. The independent converter in order to survive may find it necessary to adjust his manufacturing processes to include some of the new materials if he has not already done so. Such a course of action would probably involve increased investment for new machinery which the independent converter may be unable to provide or to attract particularly if he has been caught in a cost-price squeeze on traditional materials by competition from integrated converters. All of these factors may contribute to a new alignment and a different emphasis in the specialty bag field which may be accompanied by the disappearance of some or all of the independent converters."

The definition of specialty bags contained in paragraphs 4 and 10 of the Statement of Evidence may be said to constitute the Director's primary definition of a specialty bag. The definition in this form gives rise to questions as to why bags manufactured from cellophane, polyethylene and pliofilm, as well as grocery bags, have been excluded from the category of specialty bags. In the first sentence of paragraph 4, quoted above, specialty bags are defined upon the basis of certain raw materials used in their manufacture -- "kraft, cellucine, glassine and aluminum foil as the basic raw material used single or in combination" -- and in the second sentence exclusions are made on the basis of raw material component "cellophane, polyethylene and pliofilm". Grocery bags, however, are excluded, not because of their component material but because of their functional use.

In paragraph 10 certain features of the specialty bag are noted: (1) that, generally speaking, these bags are not stocked and are not sold from stock; (2) that the specialty bag is usually manufactured only after a firm order has been received; (3) that these bags usually are not priced from a price list, with the exception of foil bags, but the price is generally worked out each time an order is placed.

These characteristics are not always present, as some of the evidence cited in the Statement tends to show. For example, it is clear that freshene bags are stocked and are sold from stock. Mr. P. S. Newell of Dominion Envelope, speaking of Appleford's freshene bags, said:

"A. . . . This was a special bag, I believe, that other companies were interested in selling, as well as Appleford's. And they are the only suppliers of freshene in Canada. I think a couple of companies wanted to have their latest price list for their records. They manufacture this special coated glassine bag, and some companies are jobbing and selling it. It is distributed widely.

. . .

As I said, it is distributed widely, and I believe several companies, or at least one or two of them, asked me to secure their latest list, because they were selling that bag for Appleford's."

(Evidence, pp. 173-74)

It will be noted that in the class of specialty bags, the freshene bag was regarded as "special". Other evidence showed that Appleford had certain patent rights for freshene.

Another example of bags being stocked on occasion is indicated in the evidence of Mr. Newell in regard to "six by nine" drug bags:

"A. That is a little -- well, I am not positive exactly what that means. There, again, I believe Wedlock Paper Bag stocks, drug bags, made up in standard sizes -- you can appreciate that the small drug stores who buy their own drug requirements buy in very small quantities. They want possibly only one or two thousand six by nine, and Mr. Weiser requested a copy of Wedlock's list, I believe, so that he could have it available for his own distribution.

Q. That is, price list?

A. Yes, price list.

Q. And, again, you are acting as a clearing house for that sort of thing?

A. I agreed to try to secure that list for Mr. Weiser and mail it to him to Montreal.

Q. A drug bag is a specialty bag, is that correct?

A. Well, you see, the way I look at a specialty bag, it could be called a specialty bag because it is stock for resale.

Q. What is it made of?

A. It is made of white paper, either sulphite or kraft -- either one.

Q. Either sulphite or kraft?

A. Yes.

Q. And of course it is non-transparent?

A. Yes, opaque."

(Evidence, pp. 177-78)

In the above quotations reference is made to "standard sizes" of drug bags. This indicates that in some respects, at least, the drug bags were fairly well standardized. It will be noted that in his evidence Mr. Newell distinguished sulphite from kraft, drug bags being made from either. Sulphite was not included in the definition of specialty bags given in paragraph 4 of the Statement of Evidence. It does appear, however, in paragraph 19 quoted above.

The fact that specialty bags are defined in the Statement of Evidence to exclude bags made from cellophane, polyethylene and pliofilm may be considered in relation to the further comment made by the Director that: "Traditionally the raw materials of this phase of the specialty bag industry have been wood derivatives, such as kraft, sulphite, glassine and cellucine, but this appears to be giving way to foil, cellophane, polyethylene and other chemically derived materials". This suggests that in the specialty bag field, as in other fields of packaging, newer types of materials are being developed which might compete with or replace traditional materials.

During the hearing before the Commission there was considerable discussion as to the adequacy and accuracy of the definition of specialty bag used by the Director for the purpose of the Statement of Evidence. The position taken on behalf of the Director was that the definition as used in the Statement of Evidence was that given by Mr. Newell of Dominion Envelope who had organized the group of specialty bag manufacturers. Mr. Newell's evidence included the following:

" Q. Mr. Newell, can you define for us what is meant by 'specialty bags'?

A. I can only give my own interpretation. The specialty bag is a bag manufactured from kraft papers, sulphites, glassine and cellucine -- either printed or plain, flat or wedge.

Q. Would you include foil bags in that definition?

A. Yes.

Q. Can you enumerate for us the principal types of bags that would come within that classification of specialty bags?

A. Well, it covers a very particular field. I would say all notion and millinery bags. Are you thinking of the product use?

Q. Yes; you can give some of the particular types?

A. Well, I can only speak from my own experience in the company. Our company is mainly participating in notion and millinery bags, and ice cream bags, and bread bags would be a fairly large item, too.

Q. Yes?

A. And bags which are used in automatic packaging equipment, such as liner bags, and so on. Of course there are all kinds of smaller uses -- potato chip packages, and so on.

Q. Can you tell us from what raw materials specialty bags are produced?

A. Well, I mentioned that earlier -- kraft paper, both brown, white and coloured and glassines and cellucines, and sulphites.

Q. And glassine is a wood pulp product, is it not?

A. Yes.

Q. Is cellucine also a wood pulp product?

A. Yes, it is."

(Evidence, pp. 97-99)

The exclusion of grocery bags from the class of specialty bags as defined in the Statement of Evidence was said, on behalf of the Director, to be justified on the ground that a grocery bag is a standard item produced in great quantities for many uses. Specialty bags, on the other hand, are for the most part tailor-made items and are generally not placed in stock by the manufacturer. It was admitted on behalf of the Director that there are border-line instances and it is difficult to know whether these should be included in or excluded from the field of specialty bags.

It is clear from the evidence in the inquiry that certain bags which are not included in the definition of specialty bags given in the Statement of Evidence may be used in the place of specialty bags. Correspondence cited in the Statement of Evidence in regard to a potato chip manufacturer who had been using foil bags suggests that an increase in the price of this type of bag might lead to the use of glassine, plastic-coated paper or clarophane bags. The nature of the latter material is not shown by the evidence in the inquiry. The summary of the evidence in the Statement contains the following:

"195. This account was also the subject of a memorandum from H. S. Beecher of Wedlock to A. J. Wedlock of the same Company on February 17, 1955 in which the writer referred to a visit to Maple Leaf Potato Chips and said in part:

' . . .

In talking to Desautels, he said they may have to make some change in their five cent bag in view of the increase in the price of the foil bag. Just what they will go to I don't know. But if it is for glassine, or Clarophane, we may be out of line in our price, as at present, unless International and the other suppliers Dickinsons, Dom. Env. and ES&AR agree to bring up their prices.'

(CTF 50, 21523)

196. Further to this matter J. H. Murphy of E. S. & A. Robinson sent the following message to A. D. Stockwood of the same Company on March 22, 1955:

'YESTERDAY, THIS CUSTOMER HAD ON HAND 2,200,000 BAGS. BRIEN CONFIRMED BY LETTER OUR PRICE OF \$6.80/M TO CUSTOMER ON JANUARY 31 ST. CUSTOMER NOW STATES HE HAS A CONTRACT WITH CONTINENTAL AT \$5.85 AND THEREFORE WILL NOT BUY BAGS FROM US AT \$6.80. DOMINION ENVELOPE RAISED THEIR PRICE BUT NO ONE ELSE. CUSTOMER STILL BUSY [SIC BUYS] 10 CENT BAGS AT OLD PRICE FROM DICKENSON AND INTERNATIONAL ENVELOPE. IF YOU WANT TO PRICE AT \$5.80 YOU CAN MAKE SHIPMENT 500,000 THE LAST WEEK OF APRIL. CONTINENTAL ARE CHANGING PLATES TO REMOVE 25 TH ANNIVERSARY AND IF YOU AGREE WE WILL SEND NEW PLATES FOR APRIL RUN. CUSTOMER OWES US \$13,298.55 BUT BRIEN SAYS HE CAN GET CHEQUE FOR \$6,948.11 NEXT WEEK. IF THE PRICE GENERALLY GOES TO ABOUT \$6.80 THEN WE ARE SURE CUSTOMER WILL SWITCH TO PLASTIC COATED PAPER.'

(BQD 10A, 23365)"

Counsel on behalf of Continental Paper Products Limited referred to several commonplace examples where one type of packaging material could be used in place of another. The following illustrations were among those he cited:

"MR. HANSARD:

. . .

The fact of the matter is, as my friend knows, that cellophane bags and polyethylene bags are used for identically the same purposes -- not always, but in some respects identically the same purposes -- as kraft and cellulose.

Take for instance potato chips. I understand there is a fantastic trade in potato chips.

MR. CHAIRMAN:

According to the Statement of Evidence there must be.

MR. HANSARD:

Yes. And they put the potato chips up in cellulose and

glassine, or they put them up in cellophane; and I think they are even putting them up in polyethylene.

Take the case that enters into the daily life of each of us, and that is the garment bag. You send your suit to be pressed or cleaned and it comes back to you. It may come back in a kraft paper bag, or it may come back in one of these polyethylene bags, or pliofilm bags. It is identically the same use.

The fact that they are there -- nobody suggests, for instance, that the kraft bag and the cellucine bag will necessarily sell for the same price. Nobody suggests that the kraft bag and the cellophane bag will necessarily sell for the same price. But they are competing and the fact that they are on the market and are used for the same purpose and capable of being used for the same purpose means that the one controls the price of the other.

And, particularly, somebody who may control all the kraft bags, but controls none of the cellophane bags, is not able to raise his kraft prices so long as the cellophane man is there to hold him down. And the same permutations and combinations run all through."

(Hearing, pp. 82-84)

The following position with respect to substitute products was taken on behalf of the Director:

"MR. MILNER:

. . .

I wish to say something about substitute products, because the matter has been raised here. I wish to say that the existence of substitute products does not preclude a combine in any particular field. There are limitations placed upon the combine, or there could be limitations if we were in a position to know the costs of our specialty bags and the costs in the substitute field.

The limitations would restrict the heights to which prices could be raised in an industry where there was a combine or an alleged combine among the manufacturers.

THE CHAIRMAN:

I suppose, Mr. Milner, the substitute might be available

at prices which would prevent any raising of prices?

MR. MILNER:

I would say to that that, in view of the continuity of these arrangements throughout 1955 and 1956, it is apparent that the bag association did operate, and that it is hardly likely that these gentlemen could continue to go through these motion if they were not being effective in any sense -- meaning that if these substitute bags were becoming a factor that made their negotiations meaningless it would appear that if that is so they would have discontinued operation.

I take the position that because there are substitutes there is no reason why the purchasers of specialty bags are not entitled to competitive conditions in their industry which may bring about lower prices, and which may bring about a better product that might very well enable them to compete even more successfully against substitutes."

(Hearing, pp. 36-37)

2. Manufacturers of Specialty Bags and Volume of Production

The Statement of Evidence presents a list of companies which produced or distributed specialty bags in Canada. This list had been based on information secured by the Director in the course of the inquiry. The names of the following companies were given in the Statement of Evidence but the order has been changed to list first those companies whose names have already been given as being concerned in the alleged arrangements relating to specialty bags.

Appleford Paper Products Limited
Associated Paper Mills Ltd.
W. J. Bell Paper Company Limited
Bradshaw's Limited
Canada Foils, Limited
The Continental Paper Products, Limited
John Dickinson & Co. (Canada) Limited
Dominion Envelope Company Limited
International Envelope Limited
Kilgour's Limited
The MacGregor Paper & Bag Company, Incorporated
Quality Paper Bags Limited
E. S. & A. Robinson (Canada) Limited
Wedlock Paper Bag Company Limited

Other Companies

Allied Paper Products Ltd.
Angus Paper Products Ltd.
Atlantic Paper Products, Limited
T. B. Burton & Sons Limited
Dominion Blank Book Co. Limited
Dominion Containers Limited
Dominion Foils (Canada) Limited
Lakeshore Paper Products
J. A. L'Abbe Enrg. (now Atlantic Bag Corporation)
Molson Bag & Paper Limited
Pyramid Paper Products Limited
The Ratcliff Paper Company, Limited
Reynolds Aluminum Company of Canada Limited *
Rosenbloom Paper Supply Co.
Weissshuhn Paper Converting Co. Ltd.
Wentworth Paper Products
J. C. Wilson Limited

The following explanatory notes are given in the Statement of Evidence:

"13. Information was also requested from The Kennedy Car Liner & Bag Company, Limited and Specialty Paper Products Limited who described their production as "specialty bags". However, the types of bags produced by these companies do not appear to coincide with the 'specialty bags' as defined in this Statement. . . . Two further companies, Bonar & Bemis Ltd. and Thomas Bonar & Co. (Canada) Limited, indicated that their operations did not include the manufacture or distribution of specialty bags.

14. While the above list may not be exhaustive, it includes all of those companies producing or distributing specialty bags known to Mr. P. S. Newell† of Dominion Envelope and Mr. A. D. Bone†, formerly of Canada Foils, . . . as competitors, producers and distributors of specialty bags. The above list also includes all of the companies who were referred to in the documentary evidence. Any other companies in Canada who may have produced specialty bags and who are not included in the above list, cannot have been important

* Formerly, Aluminum Rolling Mills Limited

† Witnesses who gave evidence in the inquiry

competitively in the specialty bag field."

According to information given in the Statement of Evidence The Kennedy Car Liner & Bag Company, Limited manufactures a wide range of bags, extending from shopping and dry cleaner bags to mattress and furniture storage bags. It appears to have been considered by the Director that these bags did not come within the classification of specialty bags as defined for purposes of the inquiry, principally because they tended to be of large size. However, in compiling figures as to the value of production of specialty bags the Director prepared two totals, one including the output of the Kennedy company and one excluding its production. The statistics are given in the Statement of Evidence as follows:

"15. The above companies'(producers or distributors of specialty bags) total sales of all products amounted to \$83,618,013.97 in 1955 and \$91,309,899.99 in 1956. The specialty bag sales amounted to \$8,413,302.46 in 1955 and \$8,984,035.80 in 1956. These figures do not include the sales figures of The Kennedy Car Liner & Bag Company, Limited and Specialty Paper Products Limited. If the figures for these companies are included the total sales of all products amounted to \$84,397,994.53 in 1955 and \$92,258,576.12 in 1956. For specialty bag sales the total would amount to \$9,192,732.06 in 1955 and \$9,932,424.13 in 1956.

16. The sales of specialty bags by the companies participating in the arrangements set out in this Statement were \$6,939,092.55 in 1955 and \$7,314,610.17 in 1956 or approximately 82.48 per cent of the total sales of specialty bags in 1955 and 81.42 per cent in 1956. If we include the production of The Kennedy Car Liner & Bag Company, Limited and Specialty Paper Products Limited within the above figures and regard this production as specialty bags, the sales of specialty bags by the companies named in Chapter IV [Chapter I of this report] would amount to 75.48 per cent of the total in 1955 and 73.64 per cent of the total in 1956, while the sales of the companies named in paragraph 318 would amount to 72.75 per cent and 70.22 per cent of such total respectively."

It was stated on behalf of the Director that the figures given in paragraph 15 of the Statement related to the companies listed above and that those in paragraph 16 related to the companies named in paragraph 318, which has been quoted at the beginning of this report.

Imports of specialty bags as defined in the Statement of Evidence are not separately classified in the trade returns and no information as to the volume of such imports was obtained in the inquiry. One witness who gave evidence in the inquiry stated that he did not recall meeting competition from imports in the field of specialty bags (Evidence, pp. 363-64). The Statement of Evidence suggests that imports would be less likely because specialty bags are frequently made to order for particular customers. The implication to be taken, presumably, is that specialty bags would not be desired as a bulk import. As already mentioned there is no specific evidence as to the significance of imports in this field.

CHAPTER III

ARRANGEMENTS RELATING TO SPECIALTY BAGS

1. Organization and Meetings of the Specialty Bag Group

The specialty bag group was an informal group of companies engaged in the manufacture of specialty bags whose representatives met from time to time. The Statement of Evidence makes the following reference to the origin and existence of the group:

"43. The Specialty Bag Association was apparently organized in January of 1955 and continued its activity until the Fall of 1956 (Evidence, p. 111 and 366). P.S. Newell, President of Dominion Envelope, Toronto, was largely responsible for creation of this Association (Evidence, p. 111) . . ."

The purposes for which this group was organized were outlined as follows in the evidence of Mr. Newell:

"Q. Can you tell us for what purpose the association was organized?

A. Well, let me just digress a little bit here. The purpose of forming the association, or how the association got started, was approximately like this: in the fifties there were very large inroads into the specialty bag unit volume made by automatic packaging. What I mean by that is, for example, that the companies who formerly bought large volumes of liner bags, packaging Jello and cake mixes, and so on, from the specialty bag group, purchased automatic equipment. Peanut packaging, for example, is another large item. This tremendous volume disappeared from the market practically overnight.

As a result of that there was a lot of idle equipment, and the remaining business was competed for very, very strenuously. This created a very definite downward trend in the market.

It was assisted by a lot of misinformation being circulated by purchasing agents and salesmen, representatives of various companies.

I had the idea that if the other companies were feeling it as much as we were, from a profit and loss standpoint, that they might be interested in a proposal which I made to about three or four companies at a luncheon. First of all, I got them together to find out if they found conditions the same way as we did. Having that confirmed, I suggested that I could offer a certain service.

My suggestion was that I endeavour to disseminate information to them in order to stop the circulation of misinformation which was hurting us all."

(Evidence, pp. 111-13)

The following summary as to dates of meetings is given in the Statement of Evidence:

"62. If the dates appearing on the lists of accounts can be used as a guide to the meetings, insomuch as it appears that the lists were usually issued following a meeting, we can assume that general meetings were held prior to May 3, 1955, July 7, 1955, October 20, 1955, February 15, 1956 and May 10, 1956. We know in fact that meetings were held on February 23, April 27, October 19, 1955 (COC 0777-8, 14179-80; BRG 9, 23914, BPD 1, 23886; BPD 2-YR, 23887-8; BOH 6A-7, No Serials) and also sometime in the summer of 1955 (Evidence, p. 169)."

The general meetings were called by Mr. Newell and were held in Toronto, usually at the King Edward Hotel (Evidence, pp. 115 and 374).

In addition to general meetings of the group, Mr. Newell occasionally held luncheon meetings with a representative of an individual member of the specialty bag group (Evidence, pp. 203-06).

Expenses of conducting the specialty bag group were charged against the members of the group, who made payments to Dominion Envelope to cover the accounts. Apparently the accountant in Dominion Envelope assembled the information on actual expenses incurred on behalf of the specialty bag association. Mr. Newell then decided how the costs should be allocated among the various companies which were members of the group, although the basis of allocating these expenses is not clear. There is some evidence that the alloca-

tion of expenses was based on the extent to which the respective firms demanded the services provided by Mr. Newell. The following evidence was given by Mr. Newell in regard to the payments made by E. S. & A. Robinson:

- " Q. It appears that these amounts seem to be very substantial?
- A. Actually, E. S. & A. Robinson got the biggest bills.
- Q. Did they participate rather extensively in your services?
- A. Yes, they were probably the largest, gave me the most work -- let us put it that way."

(Evidence, p. 214)

The Statement of Evidence gives the following summary of the information obtained in the inquiry as to the amount of expenses incurred by Mr. Newell in conducting the specialty bag group and the payments made by the member companies:

"68. P. S. Newell of Dominion Envelope, Toronto, estimated that the expenses of the Specialty Bag Association amounted to about \$1,600.00 in 1955 and from \$1,500.00 to \$2,000.00 in 1956 (Evidence, p. 208).

69. The Returns of Information and the documents indicate that the companies who were party to these arrangements contributed approximately \$3,462.60 in 1955 and in 1956 to Mr. Newell's expenses with reference to operating the group, which figure does not include any amount for Quality (BPF 3-6, 23291-3 and 23312).

70. The documentary evidence indicates that sums of money were received from E. S. & A. Robinson (BQD 78-87, 23314-23), International Envelope (BPF 3-6, 23291-3, 23312), MacGregor (BRG 20-6R, 23930-6), W. J. Bell (BPD 4A-7B, 23890-3), Rosenbloom (BRB 1-6, 23937-42), Kilgour's - Toronto (BPF 1A-11B, 23900-10) and John Dickinson (BSH 1-22, 23957-78). In addition the Returns of Information revealed that the following had made contributions to P.S. Newell of Dominion Envelope, Toronto, for the purposes of defraying his expenses: Appleford, Bradshaw's, Canada Foils, Continental and Wedlock. In addition Mr. Newell indicated that he had received expenses from Quality (Evidence, pp. 183-6). One of the vouchers located on the premises of Kilgour's -

Toronto, described the payments as "Fees, Specialty Bag Manufacturers & Distributors" (BPF 1A, 23900). . ."

2. Activities of the Specialty Bag Group

The services performed by Mr. Newell for the specialty bag group had two main aspects, one relating to the prices of foil bags and the other the furnishing of the last price at which bags had been supplied to a firm appearing on a list of accounts. The activities of the group in these respects are summarized in the Statement of Evidence as follows:

"78. Generally speaking price lists for specialty bags do not exist except for foil bags (Evidence, pp. 205-6 and 221). The pricing appears to be on an ad hoc basis and on each occasion that a quotation is requested by a customer, it is necessary for the supplier or manufacturer to work out a price (Evidence, pp. 205-6, 221 and 396-7). Mr. P. S. Newell of Dominion Envelope, Toronto, said that prices, other than those with reference to quotations, were never discussed at meetings (Evidence, pp. 205-6). He did refer to one exception in this respect when a representative from Canada Foils was invited to a meeting for the purpose of indicating Canada Foils' intentions with reference to foil prices following two increases in the raw material (Evidence, p. 116). The evidence indicates that Mr. A. D. Bone of Canada Foils attended a meeting on April 27, 1955 (CPG 971A-2, 4155-6) and another meeting on October 19, 1955 (CPG 969, 4153) at which meetings foil bags were a subject of discussion (Evidence, p. 180). At another meeting held during the summer of 1955 (Evidence, p. 169; CPG 970, 4154) the prices for specialty bags were discussed and Mr. Bone also attended this meeting and apparently announced that Canada Foils were increasing their foil bag prices by 3 per cent (Evidence, p. 167). Mr. Newell said that it was quite likely that Dominion Envelope also increased their prices for foil bags by 3 per cent at this time (Evidence, p. 168). He said that such course of action was necessary because of the dominant position of the foil bag field of the two primary producers, Aluminum Rolling Mills and Canada Foils (Evidence, pp. 167-8)."

The manner in which customer lists were established and the way in which information as to prices was furnished to members are described in the following paragraphs of the Statement:

"136. P. S. Newell of Dominion Envelope, Toronto, indicated that one of the essential functions of the Specialty Bag Association had to do with a list of accounts which had been approved at one of the early meetings and to which names were added at subsequent meetings. In respect of this list of accounts Mr. Newell performed a personal service. When a customer, who was on the list, asked one of the manufacturers for a quotation, the manufacturer could call Mr. Newell who would then undertake to find the last price invoiced by the most recent supplier.

137. P. S. Newell of Dominion Envelope, Toronto, was asked about this list with reference to a meeting of the Specialty Bag Association held on February 23, 1955:

'Q. Can you tell us if a new list of accounts was prepared and agreed to at this meeting?

A. Yes, I had a list of accounts which was assembled as a contributory list. It was not a list I personally made up. It was a list contributed to by various companies. At each meeting we would review whether we wanted to add to or delete from the list.

Q. What was the basis of the list?

A. My service was confined to the list. If a company received an inquiry from an account on the list I offered to locate the last booked price at which that particular item had been placed, and to disseminate that information to the inquirer.

Q. In other words, if a company called you with reference to a name on the list, you would tell them the price at which the last order was taken?

A. Yes, I would phone, it was a hell of a lot of work, I can tell you that. I would find out, if I could, what the last booked price was in that particular item, and I would give it back to the person who inquired.

Q. Just what was the purpose of that? Was it to ensure that you all ended up quoting the same price?

A. No, my main purpose was, as I said earlier, that I hoped personally that this dissemination of accurate information would stop the downward trend of prices, in those particular accounts on the list.

- Q. Just how did you choose any particular account and place it on the list?
- A. Well, I know how our company chose them. We merely put the accounts we were interested in on the list. And I presume the others did the same thing. Each account had to be unanimous. If one person disagreed with it going on the list it could not go on.
- Q. Can you recall the representatives from these other companies listed at the bottom of page CPG 938B -- whether they did call you with reference to the names on the list, and ask you for the price?
- A. From time to time, I suppose you mean?
- Q. Yes?
- A. I would say that, on the list, International Envelope and John Dickinson, who has later packed his machinery up and sent it back to England -- and Wedlock, and E. S. & A. Robinson, and Quality Paper Bag were the only active people who actually called me for information.
- Q. Then are you saying that the ones you have not named did not call you at any time?
- A. No, I would say that if they did call me it was very, very seldom. I would say, in the matter of Mr. Saunders, for example, that I do not believe he ever called me.
- Q. Would not this exercise have the effect of all interested manufacturers quoting the same price?
- A. No, I do not think it did. It did not, even in our own case. For example, when we secured information as to what the last book price was on a particular item, we would compare it with our own estimate of cost and, depending upon what the relationship was we would decide for ourselves, of course, what we would quote.
- Q. But it did have the effect of preventing lower prices being quoted, did it not?
- A. Well, this again is only a personal opinion, because I can only speak for the accounts in which we participated. I would say that it did to some extent stop the

downward trend because the information was accurate.'

(Evidence, pp. 128-30)

138. The actual mechanics of this service was discussed with P. S. Newell of Dominion Envelope, Toronto, as follows:

'Q. What was the actual procedure or mechanics? Would one of the manufacturers call you to ascertain what the last price was at which a certain product had been sold to a particular company, or in that area?

A. Yes; what would happen, actually, is that someone would get an inquiry from an account whose name was on the list.

Q. Yes?

A. And their next move would be to call me and say that they have an inquiry, and give me the specifications. If they inquired for information, generally, they had to give specific specifications for the inquiry. I would then phone many -- all the other companies -- to try to locate the company who had the last order or contract.

Q. You would get your information from the other manufacturers?

A. Yes, I would phone around and find out, and try to locate the last company that had that particular item, and ask them to give me the information as to what price they had booked it at, and charged the customer.

Q. Booked it at, to a customer in that area, or to the particular ---

A. To that particular account, and that one particular specification. You see, some companies would buy twenty different items. It would be based on one item. And I would return that information to the inquirer.'

(Evidence, p. 136)

139. The whole situation was again discussed with P. S. Newell of Dominion Envelope, Toronto, later in his examination:

Q. I would like to come back now to this question of the list of customers which you prepared and circulated to other manufacturers of specialty bags?

A. Which was prepared jointly?

Q. Prepared jointly?

A. Yes.

Q. I believe you said yesterday that the names were only added to this list when unanimous consent was received by all who participated in the list?

A. That is correct.

Q. Just exactly what was the basis of this list?
Why did you not include all the accounts in the list?

A. First of all, the most logical explanation of that is that my services -- it probably would have taken up more time than I had available to give to it.

Q. Why did you choose particular accounts, the particular accounts you did choose?

A. I think each individual company probably had its own reasons. I cannot speak for others.

Q. Why did you ---

A. The ones we were responsible for putting on the list were accounts in which we were interested.

Q. In what way? Were you not interested in all the accounts to which you sold specialty bags? Before you answer that may I say this: would it be correct to say that the customers you placed on that list were customers with whom you were having the most trouble due to the fact that they were playing one manufacturer off against another, about the prices that they were paying for specialty bags?

A. Well, there might have been some added to the list for that reason.

Q. Did you add any to the list for that reason?

A. I cannot recall whether I did or not.

Q. But I am still not getting to the real reason why you chose any particular account. It seems to me that you were interested in any account to which you were selling specialty bags, and just why you took one account and left another off is a little vague to me?

A. Well, the reason you have given is a very strong part of it. For putting every name on the list, there might have been three or four reasons. But the main reason I would acknowledge is the fact that the downward trend which had personally worried me for the past few years was more noticeable in certain accounts than it was in others.

Q. And would those accounts that were playing off one manufacturer against another be placed on that list?

A. I can only speak for my reasons for putting certain persons on the list.

Q. Yes, I understand that. Would that be one of the reasons?

A. That would be part of my reason for adding a name.

Q. Would it be the important reason for adding a name?

A. It is difficult, when you make a decision, to decide which portion of the reason is the most important. But that was certainly part of it.

. . . "

(Evidence, pp. 255-58)

That the extent of the competition met with in seeking the business of a customer was a factor of some importance in placing the name of the customer on the list is suggested by a letter of December 13, 1954 from Mr. A. J. Wedlock of Wedlock to Mr. Newell. It will be recalled that the first meeting of the specialty bag group is shown to have been held in February, 1955 but apparently steps leading to its organization had been taken earlier:

"We are submitting a list of extremely competitive accounts in which we are interested and would imagine that this would be a duplicate of the lists you already have.

Maple Leaf Potato Chips	Montreal
Duchess Potato Chips	Montreal
Sunlight Food Products	Montreal
Joe Lowe Corpn.	Toronto
Walter M. Lowney	Montreal
Liquor Control Board	Toronto
Drug Trading Co.	Toronto
Robert Simpson Co.	Toronto
Wonder Bakeries	Toronto & Montreal
Canada Bread Co.	Toronto "

(CTF 45, 21518)

Some indication of the matters discussed at meetings of the specialty bag group is given in a letter of February 23, 1955 written by Mr. Newell to Mr. J. A. Loa of Continental:

"You have by now received the new list of accounts which is effective immediately, and I would just like to confirm some of the points covered at our meeting.

When prices are being discussed they are always tax extra.

It was agreed that all quotations would be limited to thirty days for acceptance. Some companies advised that they would also be including in this clause something to cover the possibility of increasing prices after orders are acknowledged if costs advance.

We also discussed warehousing of bags, and it was agreed, if warehousing was definitely required by any account, that an upcharge of 5% would be made on the selling price. These items would be treated individually as they come up.

Please destroy this letter after perusal."

(CPG 937A-8B, 4122-3)

The services which Mr. Newell provided for the specialty bag group in connection with foil bags may be described as follows. The two principal producers of aluminum foil, Canada Foils and Aluminum Rolling Mills Limited*, also produced and sold foil bags.

* Succeeded by Reynolds Aluminum Company of Canada Limited

The foil bag price lists of the two companies were in general circulation in the trade. Mr. Newell compared the price lists of the two companies and took the lower price for each type and quality of bag for each quantity bracket from whichever of the two lists had the lower price. He then compiled the prices so abstracted into a single composite price list. Copies of the price list for foil bags prepared by Mr. Newell were then circulated to members of the specialty bag group. The preparation of the price list was described by Mr. Newell as follows:

"Q. What I am trying to get at is, would you take those two lists to a meeting and work out a new list from them?

A. No, I did that myself.

Q. You did it yourself?

A. Yes.

Q. Would you take that new list to the meeting, then, and discuss it?

A. I don't recall whether we ever discussed the list itself at a meeting. The meeting would just take the physical list and say, 'This is the new list; what about it?'

Q. Was there an understanding that you would reconcile the two lists?

A. Do you mean was my responsibility to pick the lowest?

Q. Did the association understand that you would collect the price lists from Canada Foils and Aluminum Rolling Mills and work out a new list from those two?

A. No, all I did was copy from the two lists the lowest prices on each list.

Q. And you circulated that new list which you had prepared to the members of the Specialty Bag Association?

A. Yes, I did.

Q. Did you, yourself, follow that new list thereafter?

A. I followed it; you see, Mr. Milner, in order to sell foil bags, when the two largest producers are selling from a list, we had to make a decision. We either

did not sell foil bags, or we sold from a list that was published by the two companies, or the lowest of the two companies. And what we used to do, when we received each inquiry, we would have an estimate of cost made in our costing department, and look at the price that was worked out from the list, and compare the two. And after considering for a considerable length of time we decided whether we wanted to meet the list or not. There was a lot of conditions that affected that decision.

Q. What you are suggesting is that you felt that you could not possibly sell below the prices listed by Aluminum Rolling Mills and Canada Foils Limited, because of your costs?

A. Oh, absolutely not.

Q. And the question which arose in each instance when you received an order was whether you felt that you could take the order at the prices set out, the last [lowest?] prices set out, in those two price lists?

A. Yes, that is the decision that I was called upon to make in each individual case. In some cases we decided that we would quote the price from the list, and in other cases we did not do that. We quoted higher where -- well, you know, connections do help you to do business. Price is not everything in doing business, you know."

(Evidence, pp. 223-25)

It is indicated in the Statement of Evidence that copies of foil bag price lists bearing a date, which were obtained in the course of the inquiry, carried the following notation: "All printed foil bags follow the list".

The situation in the trade in so far as the position of the two primary producers of aluminum foil was concerned appears to have been the same prior to the formation of the specialty bag group as during its existence. The evidence in the inquiry does not make clear what service was performed by Mr. Newell in compiling the composite foil bag price list which could not have been done equally readily by an individual bag manufacturer to whom the price lists of the two primary producers would also have been available. It is the opinion of the Commission that the compilation and circulation of the foil bag price list in the manner described must have been considered

likely to have some effect on the prices offered by the members of the group. This inference is supported by a letter of June 1, 1955 from P. J. Brass of Dominion Envelope, Montreal to Mr. Newell which contains the following in referring to a customer producing potato chips:

"The results of my last conversation with the customer are not too encouraging for the moment. He elaborated on former discussion again that if we can come up with a bag at a reasonable price, with the bottom sealed, he might be interested, but stated in case I wondered why we couldn't do business with him now that the prices were more or less standardized . . .

. . .

Therefore, now that things seem to be more or less, as he put it, standardized, he felt that those who had given him the breaks and had saved him considerable money would be favoured . . .

. . ."

(BRI 20, 20960)

The situation with respect to the pricing of foil bags and other types of specialty bags was outlined as follows in a memorandum of May 13, 1955 written by Mr. A. D. Bone, then of Canada Foils:

"From time to time we will get enquiries for various kinds of bags. Most of these are bags which we have never made - Specialty Bags, Paper Bags, Glassine Bags, Notion Bags, etc., and we have an understanding that when you get enquiries for these we will immediately consult with Mr. Paul Newell, who will arrange for quotations.

It is also understood that all our Foil Bag prices will be considered in this list, and that the list will be in the hands of every bag manufacturer in Eastern Canada, and no one will quote any of the people listed without checking first unless in the case of the majority of Foil Bags, they can be taken straight from the list.

Please note the two items of particular interest to us:

G. E. Barbour and Schwartz

Both of these people buy Foil Bags from us. We have had

trouble with competitive situations. This trouble should now be cleared up and since we have sold in both instances, if prices are not standard, we can set the price, but it must be registered.

Remember, however, that Schwartz and Barbour both buy laminated Glassine Bags, and if we do not have information to quote this can be secured quite easily through Mr. Paul Newell."

(COE 264, 17928)

At the time the specialty bag group was being formed there appear to have been efforts at co-operation among some bag manufacturers in arranging prices to be quoted to one customer. Question arose as to the manner in which co-operation was being given and Mr. Newell sent the following teletype message dated January 21, 1955 to Mr. Brass of Dominion Envelope, Montreal:

"RE M 21 21ST I NEVER ADVISED INTERNATIONAL THAT ALL OTHER COMPANIES WOULD BE QUOTING \$4.15 M I DID ADVISE THAT I WAS GOING TO DO THAT AND TAX THAT I WOULD SUGGEST TO THE OTHER COMPANIES THEY QUOTE A HIGHER PRICE THAN \$4.10 M I DO KNOW OF TWO THAT DID NOT AGREE TO THIS SUGGESTION AND SAID THEY WERE GOING TO QUOTE \$4.10 THIS IS THEIR PRIVILEGE AND I CANNOT DO ANYTHING TO CHANGE THIS IN OPERATING THIS GROUP EVERY COMPANY HAS THE RIGHT TO QUOTE THE FLOOR PRICE OBVIOUSLY THIS IS THE ONLY WAY WE IT [SIC] CAN HOLD TOGETHER"

(APE 22A, 23210)

Mr. Newell was asked about this document and gave the following evidence:

"Q. . . . In view of your interpretation of what you performed in the way of services for this group, I cannot understand what you were saying here, at all.

A. I can only go back to my other explanation, that I did give -- and perhaps in error, now, it seems to me -- the impression to Mr. Brass that this group was a lot stronger than it actually was."

(Evidence, p. 286)

The nature of the services which were provided to members of the specialty bag group was described as follows in a letter of June 20, 1955 which Mr. Newell wrote to Mr. J. Rosenbloom of Associated Paper Mills Ltd:

"We are very pleased to welcome you into the co-operative group, and I am attaching to this letter a list of accounts.

As explained to you when I was in Montreal, any inquiries that you receive for anyone on this list you are to contact the writer before quoting, and the writer will find out the price that should be extended.

I am also attaching to this letter a general letter that went out after the last meeting, that pretty well covers our set-up to date.

I am hoping to organize a meeting for the last week of June, and as soon as this has been settled, I will advise you."

(CPG 939A, 4124)

3. Complementary Activities of Members of Specialty Bag Group with Respect to Prices

Some indication has been given already of co-operative activity among two or more members of the specialty bag group to secure an agreed basis for quotation of prices. The evidence in the inquiry contains a number of such instances but it is not apparent how effective such co-operative activities were in the securing of business.

In the early part of 1955 Dominion Envelope had been unsuccessful in securing an order from Fairfield Institutional Supplies and on getting in touch with the bag company which secured the business Dominion Envelope understood that the other company would be happy to co-operate when the customer was again in the market. On the next occasion, Mr. R. Roulston of Dominion Envelope, Montreal inquired from the Toronto office whether he could submit a price of \$5.98. He was advised as follows:

"RE M10 28TH THIS ITEM SHOULD BE CLEARED WITH GROUP PRICE YOU MENTION \$5.98 IS MUCH TOO LOW CAN YOU WAIT UNTIL NEXT MEETING? IF YOU MUST HAVE PRICE NOW OUR FIGURE WILL BE \$7.50 M "

(APE 441, 23229; APE 45J, 23230)

The following additional particulars are set out in the Statement of Evidence:

"235. In addition on the above document written in handwriting were the following two comments:

'Discussed with Charlie Wright over phone - suggesting he discuss with Dickinson & International. He is to report back.'

This message was signed 'G A I' apparently the initials of G. A. Ireland of Dominion Envelope.

'Charlie Wright called back & he has made a note to bring up at next meeting. He contacted Int. & they are agreeable to a revision upwards.'

236. P. S. Newell of Dominion Envelope, Toronto, was questioned as follows with reference to this letter:

'Q. . . . Do you know who Charlie Wright is?

A. I know a Charlie Wright, at E.S. & A. Robinson.

Q. Did you from time to time call Mr. Wright with respect to accounts on your list?

A. Yes, I did.

Q. You have no independent knowledge of this particular incident, though?

A. No, I am sorry, I have not.'

(Evidence, pp. 312-3) "

On April 7, 1955 Mr. Newell sent the following inter-office message, apparently to Mr. Brass in Montreal:

"THERE IS A LITTLE MYSTERY HERE I WANT YOU TO CLEAR UP FOR ME WE RECEIVED AN INQUIRY FROM MR ROULSTON ON THOSE BAGS WE DESIGNED ORIGINALLY FOR MT ROYAL HOTELS THE BUSINESS WAS TAKEN FROM US BY INTERNATIONAL MR. ROULSTON'S INQUIRY IS MARCH 25TH WE MADE UP OUR ESTIMATE AND FELT THE PRICE SHOULD BE AROUND \$7.50 M CHARLIE WRIGHT OF ROBINSONS WHO RAN THE GROUP WHILE I WAS AWAY TALKED WITH DICKENSON [SIC]

AND INTERNATIONAL [SIC] AND BOTH COMPANIES INCLUDING INTERNATIONAL AGREE THE PRICE SHOULD BE HIGHER THAN \$5.98 ON APR 1ST WHEN I GOT BACK THIS WAS TAKEN UP WITH ME AND I SUGGESTED WE FIND OUT DEFINITELY WHEN THE MAN WILL BE IN THE MARKET WE RECEIVED A REPLY FROM MR ROULSTON SAYING ONE YEAR WHICH AFTER WE FOUND OUT WHAT THIS MEANT WAS EXPLAINED IN HIS TT M21 OF APR 4X 5TH WILL YOU PLS PHONE MCCABLE [SIC] AND ASK HIM WHAT THE STORY IS AS WRIGHT HAD BEEN IN TOUCH WITH HIM ON MAR 25TH AND HE AGREED THE PRICE SHOULD GO UP AND HE WOULD CO-OPERATE"

(APE 38C, 23241)

Mr. Brass replied:

"SEE RAULSTONS [SIC] M6 MARCH 25 & ANS FROM G I T20 MARCH 28. INT AGREED PRICE SHOULD GO UP 'NEXT TIME' THEIR PRICE WAS ALREADY IN BEFORE CONTACTED. ROULSTON SUPPLIED THE INFO ON PRICE ON 25TH."

(APE 37B, 23240)

Mr. Newell then wrote:

"Just to close this matter off - - it was not Charlie Wright's impression that the co-operation was to go into effect next time at all. He is the one who talked to International - Mr. Wright is with E. S. & A. Robinson.

We rather expected the co-operation would go into effect on this order - however, it is gone now.

The price of \$5.98 M. is ridiculously low, as Mr. Ireland pointed out, and it should be somewhere around \$7.50 M. This price was confirmed by Robinson's, who also did an estimate on the job.

Put this one on the list also."

(APE 36A, 23242)

The Statement of Evidence makes the following reference to the listing of the customer referred to in the messages:

"242. While Fairfiled Institutional Supplies was not on the list of accounts circulated by P. S. Newell of Dominion Envelope, Toronto, at this time nor on the list dated February 15, 1956 (BPD 2, 23887; COE 351, 18024), it did appear on a list dated May 10, 1956 (BOH 6A-7B, No Serials)."

A situation which arose in connection with the listing of prices of specialty bags is described in the Statement of Evidence as follows:

"Borden Company Limited

276. On February 3, 1956, International Envelope submitted a quotation to the Borden Company Limited for 500,000 Glassine Bags at \$5.10 M (BPF 55C, 53A, 23300, 23302). What actually occurred in this instance is not quite clear but notations on the second page of this document indicate that a lower price was submitted by Canada Foils and apparently J. A. Loa of Continental complained about this price. A. D. Bone of Canada Foils threw some light on the matter in his letter of March 15, 1956 to H. G. Cook of the same Company (the reference is to Grated Cheese Bags):

'You have taken an order from these people for 500,000 bags at \$5.00 per thousand.

Glassine Bag prices are supposed to be cleared through our Association. In this case the prevailing price on these bags is \$5.10 per thousand. This is the price at which they are supposed to have been supplied by Continental Paper Products, and these people have registered a complaint.

In addition, International Envelope also quoted on the job and they too have registered a complaint and both want to know what I am going to do about it.

Had I known you were going to make new plates I believe I could have obtained for you the necessary plates for printing without any difficulty whatever.'

(COE 173, 18031)

277. P. S. Newell of Dominion Envelope, Toronto, was questioned about A. D. Bone's understanding of the arrangements as follows:

- 'Q. . . . Now, is the "Association", to which Mr. Bone refers, the Specialty Bag Association?
- A. I can only assume what was in Mr. Bone's mind. I have no idea.
- Q. Do not do that. First of all, "glassine bag" is one of the specialty bag categories?
- A. Yes, it is in the specialty bag category.
- Q. And Mr. Bone is suggesting here, that, apparently, when a price is cleared through you that that is the price which should prevail, and he is indicating that there has been a complaint received with respect to the prices which have been charged. Now, when someone calls you, another specialty bag manufacturer, with respect to one of the accounts in your list of accounts which you have prepared, and asks you for the last price which the particular customer paid, is it understood that the price which you give to him will be the price, or at least that no price will be charged less than that to the particular customer?
- A. Definitely not.
- Q. It is not?
- A. No; the information was only available as being accurate information, so that each company could make their own individual decisions about what they were to do about it.
- Q. In view of your explanation, this particular letter does not have any sense?
- A. I cannot explain it; what Mr. Bone understood must have been wrong.
- Q. You say Mr. Bone's understanding was different from your understanding?
- A. Yes, it was certainly different from the policy of the group.'

278. A. D. Bone of Canada Foils was also asked about this letter:

'Q. . . . Now, just what "association" are you referring to, there?

A. The one you call---

Q. I have referred to Mr. Newell's group as the Specialty Bag Association. Does that, therefore, infer that glassine bag prices were discussed by the Specialty Bag Association?

A. Yes, it does.

Q. And did they agree on a price list?

A. No.

Q. Did they agree on prices for individual quotations?

A. Not necessarily. The answer to that would fall into the statement I made yesterday in which I suggested that where a manufacturer had not supplied an account before for a long time he could communicate Mr. Newell and obtain the last price at which that particular customer had been sold by the current supplier, which was obviously done in this case.

Q. Was there any understanding flowing from that that you would quote that price?

A. Not a commitment; no time did I ever feel that we were obliged to the limit to make a commitment, but that we would certainly try to do so. In this particular case I recall it definitely, because it was one I got into considerably after I had resigned, and there had been some difficulty, some difficult feeling internally in our organization concerning some of the things which Mr. Cook undertook to do. And this is an example. You will notice in the last paragraph he has not only been able to obtain a good price, a price that normally Canada Foils would not have been competitive in, so far as I was concerned, but he was able also to make them a set of plates, with no charge -- which is still another matter of price cutting, and also adding to the cost. Five hundred thousand bags at \$5 per thousand is

\$2,500 -- I think that is correct.

Q. Yes.

A. The plates, alone, for this job would cost the company about \$200.

Q. You are suggesting that in making this -- well, am I to assume that Mr. Cook, the assistant to the president, authorized this?

A. Mr. Cook, the assistant to the president, was given this particular account to worry on.

Q. And he sold it at \$5 per thousand, whereas ---

A. Whereas the price of \$5.10 per thousand was already a ridiculously low price.

Q. And may I assume from the document that Continental and International complained about the \$5 price that was made?

A. They would, naturally, complain, if and when they heard about it.

Q. Why would they complain, if there was not an understanding that you would sell at \$5.10 per thousand?

A. They would naturally wonder why anybody could sell at under their price, and since they had been asked what their price was they would naturally be on guard with respect to that particular account.

Q. Would they feel, if they had been asked about their price, that the supplier who was asking would not make those bags available to the customer in question at a price less than what they had given?

A. I would say that they would be entitled to some reasonable assurance, -- but not binding -- some reasonable assurance that their price would not be violated.'

(Evidence, pp. 470-2)''

As already mentioned, Mr. Newell prepared a list of foil bag prices by taking the lower prices shown on the price lists of the primary producers and the composite list was circulated to members of the specialty bag group. A price change which occurred in the summer of 1955 is described in the Statement of Evidence as follows:

"101. It would appear that an increase in the price of foil bags took place in the Summer of 1955 and that the price of these bags was discussed at a meeting of the Specialty Bag Association (CPG 970, 4154; COE 238A, 17966; COE 237, 17965; Evidence, p. 169). On July 6, 1955, A. D. Bone of Canada Foils, wired all his salesmen advising them that converted foil had been increased 3 per cent (COE 241A, 17969). Correspondence originating with E. S. & A. Robinson on July 8, 1955 (bearing initials 'ADS' which apparently stood for A. D. Stockwood) referred to an increase in foil bag prices of 3 per cent which in part said with reference to a customer:

' . . .

. . . at the same time you can tell them that you feel quite sure that all other suppliers will be increasing their prices as well.'

(BQD 19, 23378; BQD 24E, 23379)

102. Two agenda of meetings of the Specialty Bag Association refer to foil bags. One of these agenda was dated October 19, 1955 and listed foil bags as one of the items to be discussed. Written along side this item in handwriting were the words 'Canada Foils' (CPG 969, 4153). On an undated agenda someone had added in handwriting 'Foil bag prices 3%'. This undated agenda referred to a meeting held in the Summer of 1955 (CPG 970, 4154; Evidence, p. 169). . . .

103. In a memorandum entitled 'Price Increases' dated July 11, 1955, A. D. Bone of Canada Foils, wrote with reference to foil bags:

' . . .

The exception to this will be Foil Bag prices on which a 3% increase has been established with the whole industry.

. . . '

(COE 238A, 17966) "

Mr. Newell stated in evidence that he could not recall the date of the meeting of the specialty bag group. His evidence in this connection was as follows:

- "A. I cannot pin down the date, but I know that we asked the Canada Foils man to come to the meeting to give us an idea of what their company might be doing about foil bag prices.
- Q. And would it be this meeting to which the agenda refers, that the man from Canada Foils attended?
- A. I believe Mr. Bone was in attendance at the meeting, and he advised the meeting that their company was increasing their price list by 3 per cent.
- Q. Did you subsequently increase your prices for foil bags by 3 per cent?
- A. You would have to understand the foil bag situation. There are two large companies who are what I would call the primary converters. They roll their own foil and do their own laminating, and do their own converting?
- Q. Who are they?
- A. Aluminum Rolling Mills and Canada Foils. So far as I am concerned, they hold the whip-hand on bag prices. We either have to sell at their list, or higher. Comparing our costs with the published lists of those two companies, we cannot go below them and enjoy a profit.
- Q. Can you recall, then, that you did advance your prices by 3 per cent following this meeting?
- A. I would say that it is quite likely that we did."

(Evidence, pp. 167-68)

There is one piece of evidence in the inquiry which suggests that co-operative action was contemplated to meet a competitive situation created by a firm which was not a member of the group. The following report, dated April 27, 1955, was prepared by Mr. Newell in regard to Molson Bag & Paper Limited, which was not a member of the specialty bag group:

" . . .

Considerable discussion took place concerning Molson Bag & Paper Ltd. It was agreed that each Company would endeavour to increase the number of colors to three on jobs where Mr. Molson was competing. Also that a tight price would be set on any items where he was competing. We also established procedure in case the established price had been cut by Molson's. If any one Company wishes to meet a condition because of Molson's competition they are to call the writer and register the new lower price, so that the writer can notify the other Companies that are interested in the particular item involved.

. . . "

(CPG 971A-74, 4155-58)

The procedure described in this report in connection with competition from Molson Bag & Paper Limited differed from the regular procedure described by Mr. Newell for the checking of prices at which bags had been supplied to listed accounts. In the latter cases, information as to prices was to be given by the supplier only when a request was made by Mr. Newell. In the situation described in the report of April 27, 1955 the group member was to "register the new lower price" when it wished to meet Molson's competition and this was so that Mr. Newell could "notify the other Companies that are interested in the particular item involved". That this degree of attention would be given to competition from a single firm suggests that the encountering of such competition by members of the group was in some degree unusual after Mr. Newell had established his price reporting services for members of the specialty bag group. This would appear to be the case, because, if competition from outside firms on the basis indicated was widespread, the price reporting arrangement operated by Mr. Newell would be in danger of complete breakdown.

CHAPTER IV

APPRAISAL OF THE ACTIVITIES OF THE SPECIALTY BAG GROUP

The evidence of Mr. Newell indicates that during the 1950's the manufacturers of specialty bags found that their market was affected considerably by the development of automatic packaging equipment which enabled some customers using specialty bags on a considerable scale to purchase automatic packaging equipment and thus make their own packages, which had the result of reducing their purchases from manufacturers of specialty bags. This change from purchased bags to the automatic packaging process resulted in surplus capacity in the specialty bag industry and very strenuous competition for the remaining business. According to the evidence of Mr. Newell the strong competition among bag manufacturers with surplus capacity brought about a definite downward trend in prices which was accentuated by efforts of some purchasers to play one manufacturer against another in seeking lower prices.

Under the conditions prevailing in the market for specialty bags it is not surprising that some customers were able to bargain prices down effectively. Some apparently did so by pretending to one or more interested bag manufacturers that other manufacturers were ready to provide bags at prices lower than those quoted by such manufacturers. Mr. Newell's purpose in securing and providing actual prices on past orders was to remove this means of bargaining from the purchasers' hands. He hoped this would have the effect of arresting the downward movement of prices. Mr. Newell set out the purpose as follows:

"A. . . . my main purpose was, as I said earlier, that I hoped personally that this dissemination of accurate information would stop the downward trend of prices, in those particular accounts on the list."

(Evidence, p. 129)

In the face of the existence of surplus manufacturing capacity in the specialty bag field which the extension of automatic packaging processes would be likely to increase, at least for a time, the only means of restoring equilibrium to the market would be through the reduction of bag capacity to a level which would be

consistent with the new measure of demand. In the normal competitive process one would expect such an adjustment to take place through the disappearance of high-cost bag manufacturers and the more efficient operation of surviving firms. The evidence obtained in the inquiry gives some instances of firms leaving the bag industry and of others curtailing their operations in the specialty bag field. It is not possible to determine from this evidence how rapidly the readjustment was being made to bring productive capacity into line with the new level of demand for manufactured bags.

The evidence in the inquiry makes clear that the members of the specialty bag group were interested not only in stopping the downward trend of prices but also in securing advances in prices.

The Statement of Evidence describes at some length the running out of a particular contract for the supply of bags to a potato chip manufacturer at \$5.85 and the exchange of information among members of the specialty bag group in an effort to ensure that no member would offer a new supply at less than \$6.80. During the course of the matter it was reported that one member had made a quotation of \$6.08 but an inter-office communication of Wedlock, dated August 26, 1955 stated:

"In answer to your memo of August 24th re Bradshaw's quotation of \$6.08 M.

This has been checked into thoroughly and it was entirely a transposition of figures. This quotation has been withdrawn and the \$6.80 M price quoted.

Trust this clears up the matter for you."

(CTF 127, 21601)

A further communication of the same company in regard to the same matter was dated October 13, 1955 and read, in part, as follows:

". . .

During the writer's time cannot remember any difficulty so prevalent in Montreal as that which we are now having with the potato chip firms. They are upset, we know, and the reason is that they are paying more for their goods than they did before. During the past they have continually beaten our price down as well as our competitor's price by playing one off against the other. They, therefore, are at fault for this price increase and you will just have to ride out the storm with them the same as we are doing with certain accounts elsewhere.

Would like to reiterate once more that we must expect your co-operation on price quotations to customers and no quotation which we give to you may be altered and no credit may be given without our permission, and if at any time we refuse permission then you know we will have good reason for doing this.

. . ."

(CTF 142-43, 21616-17)

The evidence in the inquiry indicates that while members of the specialty bag group were interested in having a price list for foil bags which might be used as a reference when quoting to any account, the system of securing and furnishing of information about the last price at which specialty bags had been purchased was desired for a selected list of customers. Mr. Newell's evidence as to the reasons why he selected certain customers to be included in the list has already been quoted. He gave the following evidence as to the selection of names of customers by other members:

"Q. . . . Did all the members of the Specialty Bag Association place names on this list?

A. No, they did not.

Q. At each meeting which you held was there a discussion with respect to names which may be added to this particular list?

A. I think the list remained firm after around the spring of 1955. I do not think any further names were added then. It was either the spring or the fall of 1955, I am not sure which.

Q. And you say that when a particular manufacturer contacted you with reference to an account on that list, that you would find out the last price which that customer paid?

A. I would do my best to find out the last price.

Q. And if possible give him that information?

A. That is right.

Q. Now, you go further and say there was no understanding

whatsoever at what price the manufacturer would quote the customer?

A. Yes, when I offered my services, that is one of the main points in my mind, that I made very clear to the people who were interested. I wanted it to be very positive that everybody understood that this information was being given only because it was reliable and accurate information, and that they could rely on it in making their decision. And it was up to the individual companies to make that decision for themselves.

Q. I am not sure just what service you were giving them. It seems to me that they could save a lot of time by telephoning around, themselves, could they not?

A. Well, it is more convenient, I presume. I don't know the reasons; but I had the idea, and I thought it was a good one -- it was up to them -- I don't know -- I can't answer your question as to what they thought ---

Q. But I am trying to find out further the exact service you were rendering, when you say that you rendered some sort of service which, you suggest, they could not accomplish by themselves?

A. Well, you can imagine a sales manager receiving an inquiry, and phoning fifteen competitors. It would be quite a job -- for every one which came across his desk.

Q. It is quite a task, but it seems to me you would have to phone fifteen competitors?

A. At first it was quite burdensome. I did not realize when I offered the service how much time it would take.

Q. When you gave that price to the specialty bag manufacturer who was inquiring, was there any subsequent discussion with reference to the price which he would charge the customer?

A. Do you mean before he booked the order?

Q. Yes, before he booked the order.

A. No.

Q. He never mentioned to you the price that he would charge?

- A. No; there might be the occasional comment like, 'My God, that is low', or something like that. But I had no authority or control or desire to influence him about any price he was going to charge."

(Evidence, pp. 258-61)

The Commission cannot think that manufacturers would engage in a system whereby a contract price of one manufacturer was made available to other manufacturers with the first manufacturer's co-operation unless the members of the group had confidence that the system would not operate to provide their competitors with a means of under-cutting an established price and thus securing additional business. Mr. Bone expressed the basis on which such a system could be operated in the following way in the portion of his evidence previously quoted:

- "A. I would say that they would be entitled to some reasonable assurance, -- but not binding -- some reasonable assurance that their price would not be violated."

(Evidence, p. 472)

With respect to Mr. Newell's services in connection with the preparation and circulation of the list of foil bag prices it was stated in evidence and argument that the prices so listed represented minimum prices which were determined by the prices established by the primary producers of foil and that the prices were so low that members of the specialty bag group could not supply foil bags profitably at such prices. For reasons set out earlier in this report it cannot be accepted that competition at prices lower than those in the foil bag price list might not take place. To the extent, therefore, that the foil bag price list was accepted as a minimum price list for foil bags by members of the specialty bag group it had the effect of limiting or lessening competition in the sale of foil bags.

The evidence in the inquiry is not clear as to the effectiveness of the circulation of the foil bag price list and the obtaining and furnishing of information as to contract prices of specialty bags in influencing or establishing the actual sales prices of specialty bags. So far as the price reporting service of Mr. Newell was concerned, it was related to the purchases of selected customers and evidence is lacking as to the part which the specialty bag purchases of such customers formed of the total. Also, there is no direct evidence as to the relationship of the prices at which such customers were supplied and the prices charged other customers.

It is also necessary to consider the market and packaging situations which might affect the ability of members of the specialty bag group to influence the prices of their products. Not only might opportunities be open to some customers to shift from specialty bags to the packaging of their products by automatic machinery, but in the face of an increase in the cost of specialty bags, as defined in this inquiry, the bag user might consider a shift to packaging material of another sort as suggested in some of the examples given earlier in this report.

In view of the changing conditions in the field of packaging and the absence of direct evidence as to the effect of Mr. Newell's services on the prices charged for specialty bags it is not possible to express any conclusions as to the actual consequences on competition of the activities of the specialty bag group.

There is no doubt, however, as to the intention indicated by co-operative actions among members of the specialty bag group which were assisted by and may be regarded as an outgrowth of Mr. Newell's services with respect to prices. Such co-operative actions were clearly intended to prevent, as far as possible, competition in price in the supply of specialty bags to selected customers. Although such customers formed only a part of the total market for specialty bags, they, as members of the public, are entitled to freedom of competition in the markets in which they seek their supplies in the same way as the public as a whole.

For the reasons given above, it is the conclusion of the Commission that the activities of the specialty bag group were likely to operate to the detriment or against the interest of the public. The evidence indicates that the specialty bag group began its activities about January, 1955 and continued them until the fall of 1956. The group was, therefore, relatively short lived and whether with a longer life it would have succeeded or failed in the questionable objectives referred to above could only be conjectured. It is to be hoped that circumstances will not be found in this field which would require that consideration be given in the invoking of the "likely to operate" provisions of the Combines Investigation Act.

(Signed) C. R. Smith
Chairman

(Signed) A. S. Whiteley
Member

Ottawa,
March 11, 1960.

APPENDIX

DESCRIPTION OF COMPANIES PRODUCING SPECIALTY BAGS AND RELATED PRODUCTS

(As Given in Appendix 2 to the Statement
of Evidence)

A. Companies Named as Members of The Specialty Bag Association

Appleford Paper Products Limited, P.O. Box 487, Hamilton,
Ontario

Appleford Paper Products Limited, with Head Office located at 425 Parkdale Avenue North, Hamilton, Ontario, is a paper converter producing such products as plain waxed paper bags, printed dry paper bags, printed waxed paper bags, bread wrappers, butter wrappers, household waxed paper, printed and waxed specialty papers, counter sales books and bottle caps.

The Company is a wholly-owned subsidiary of The Kalamazoo Vegetable Parchment Company, located in Kalamazoo, Michigan, U.S.A., which Company also controls The KVP Company Limited.

Manufacturing facilities of Appleford Paper Products Limited are located in Hamilton and Montreal. In addition to sales offices in Toronto, Montreal and Vancouver and a warehouse in Montreal, consignment warehouses are located on the premises of Tees & Persse Ltd. located at Fort William, Winnipeg, Regina, Saskatoon, Calgary and Edmonton and also on the premises of Crawford Storage Ltd. in Vancouver.

The Company's products are marketed throughout Canada.

Associated Paper Mills Ltd., 6800 Hutchison Street,
Montreal, Quebec

This Company is a paper converter producing such products as grocery bags (self-opening style), flat and square cellophane and polyethylene bags, napkins, household wax paper rolls, waxed kraft paper, single wall satchel style grocery sacks, notion and millinery bags, potato bags and Keep-Kold Insulated SOS bags. The premises are at the above location only and sales are made across Canada. The Company is affiliated with Rosenbloom Paper Supply Co. through a holding company known as Rojak Corporation.

W. J. Bell Paper Company Limited, 255 Wicksteed Avenue, Leaside,
Toronto, Ontario

The Company is a distributor of coarse paper and paper products including specialty bags. Branch offices for distributing products and warehouses for storage are located at Toronto, Kirkland Lake, Sudbury, Ottawa and Windsor. The Company is a wholly-owned subsidiary of St. Lawrence Corporation Limited. Some of the products distributed by W. J. Bell Paper Company Limited are manufactured by Angus Paper Products Ltd. which is also a wholly-owned subsidiary of the St. Lawrence Corporation Limited and is engaged in the manufacture of paper bags and the conversion of white and kraft paper into towelling. Specialty bags are sold by W. J. Bell Paper Company Limited in the Province of Ontario only.

Bradshaw's Limited, 375 Symington Avenue, Toronto, Ontario

The Company is a converter of flexible packaging materials and produces cellophane, pliofilm and polyethylene bags. In addition these materials are printed and various laminations and coatings are effected. Plants are located in Toronto and Montreal with the Toronto plant carrying on all types of production whereas the Montreal plant converts cellophane and polyethylene. A branch office is located in Montreal.

The Company is a wholly-owned subsidiary of Lawson & Jones, Limited. In addition Lawson & Jones, Limited own controlling interest in Willson Stationers & Envelopes Limited of Winnipeg, which Company in December, 1956 purchased one-half of the voting shares of the capital stock of John Dickinson & Co. (Canada) Limited.

In 1954 Lawson & Jones, Limited purchased the outstanding capital stock of Quality Paper Bags Limited. This latter Company then sold certain machinery to Bradshaw's Limited and Bradshaw's Limited at that time, for the first time, entered upon the manufacture of specialty bags. (See Quality Paper Bags Limited)

The Company sells its specialty bags in the Maritimes, Quebec, Ontario and Western Canada.

Canada Foils, Limited, 1891 Eglinton Avenue East,
Toronto 16, Ontario

"The Company commenced operations during the winter of 1922-1923 in the manufacture of Tin, Lead and Composition Foils, supplying such to the Canadian Manufacturers of Cigarettes and Tobaccos, Confectionery Manufacturers, Electro-typers, Silversmiths, Electrical Condenser Manufacturers, and other such users. In

approximately 1928 the Company commenced the rolling and manufacture of aluminum foil, and from that date, expanding as the Company developed new end uses for foils in its many applications for packaging, etc."

Currently in the Company's plant located at 1891 Eglinton Avenue East, Toronto 16, the Company is engaged in the manufacture of foil bags such as potato chip bags. In addition the Company manufactures foils of all kinds and various laminations involving foil, paper, cardboard and transparent film. The Company also prints transparent films such as cellophane and polyethylene generally in sheets. To a lesser extent the Company is engaged in the manufacture of transparent bags.

The Company maintains a Sales Commission Representative in St. Johns, Newfoundland, Halifax, Nova Scotia, Moncton, New Brunswick, Winnipeg, Manitoba and Vancouver, British Columbia. A sales office is located in Montreal. The products of the Company are sold throughout Canada.

The Continental Paper Products, Limited, 645 Wellington Street, Ottawa, Ontario

The Company is engaged in the conversion of paper and related products and produces products such as multiwall bags, grocery, notion, shopping, millinery and all associated types of bags; baking pan liners, place mats, waxed paper and paper drinking cups. The Company also prints special wrapping papers. The Company is a subsidiary of the Canadian International Paper Company and operates four plants. One plant located in Ottawa manufactures tea and coffee bags, potato bags, sugar bags, cellophane bags, wedge and flat bags, waxed paper, paper drinking cups and similar articles. There are two plants at Cap-de-la-Madeleine, Quebec, one of which manufactures multiwall bags and shopping bags while the other is engaged in the production of grocery bags, notion and millinery bags and related products such as bread bags. The plant located in Regina, Saskatchewan manufactures multiwall bags. A warehouse and sales office is located in Montreal and in Quebec City from which the Company's products and the products of other suppliers are sold. There is a sales office located in Toronto. Products of the Company are sold from Newfoundland to British Columbia.

John Dickinson & Co.(Canada) Limited, 799 Beach Road, Hamilton, Ontario

The Company manufactures envelopes, business forms and wax paper wrapping at its plant at the above address. Envelopes are manufactured at the Company's plants located in Winnipeg, Edmonton and Regina. Specialty bags were manufactured

by the Company prior to November 30, 1956 when this operation ceased and the equipment and machinery relative to the production of such products were disposed of. This action was taken due to the heavy losses incurred by the Company in the manufacture of specialty bags. The Company also has sales offices located at Westmount, Quebec, Vancouver, British Columbia and Toronto, Ontario.

The Company was incorporated in 1948 at which time control was held by John Dickinson & Co. Limited, Apsley Mills, England. On December 1, 1956 Willson Stationers & Envelopes Limited, in Winnipeg acquired 50 per cent of the voting shares of the capital stock. Lawson & Jones Limited have controlling interest in Willson Stationers & Envelopes Limited and in Bradshaw's Limited.

Dominion Envelope Company Limited, 39 Greenbelt Drive,
Don Mills, Ontario

The Dominion Envelope Company Limited manufactures envelopes, specialty bags and cellophane products. In particular the Company produces such specialty bags as notion and millinery, ice cream bags, bread bags, liner bags and potato chip packages (Evidence, p. 98). The only manufacturing plant, located in Toronto, is engaged in the production of the products referred to above. Branch selling offices with some storage facilities are located in Montreal and Winnipeg. The Company sells its products in Quebec, Ontario and Manitoba (Evidence, p. 102).

International Envelope Limited, 7000 Hochelaga Street
Montreal 5, Quebec

The Company is engaged in the manufacture of envelopes and specialty bags with plant and premises located at one address as set out above. In addition to envelopes the Company produces ice cream bags, candy bags, bread bags, potato chip bags, etc. In 1955 International Envelope Limited discontinued the manufacture of foil bags because of losses incurred in the production of such bags. The sales area includes the Maritimes, Quebec and Ontario but does not extend to Western Canada.

Kilgour's Limited, 21 Wellington Street West, Toronto, Ontario

Kilgour's Limited is a wholesale paper merchant with warehouses located in Hamilton, London, Montreal, Ottawa, Winnipeg, Regina, Saskatoon and Fort William, all of which carry on the functions of wholesale paper merchants. The Company is a wholly-owned subsidiary of Canada Paper Company. The sales activity of the Company cover Ontario, Quebec, Manitoba and Saskatchewan. The

sales include "standard grades of notion, milliner, bread, candy bags, etc., sold as stock items from warehouse stocks, as well as bags produced against special orders."

The MacGregor Paper & Bag Company, Incorporated, 451 St. Sulpice Street, Montreal, Quebec.

The MacGregor Paper & Bag Company, Incorporated are distributors of wrapping paper, stock-size paper bags, toilet tissue, miscellaneous paper products and related items. The Company has branch offices and warehouses located in Montreal, Quebec, Toronto, Saint John and Halifax. A warehouse only is located at Sydney, Nova Scotia. Each branch carries on the distribution of paper and paper products. The sales area covers the Maritimes, Quebec and Ontario. On August 28, 1928 The MacGregor Paper & Bag Company, Incorporated was purchased by Pyramid Paper Products Limited which Company sold The MacGregor Paper & Bag Company, Incorporated to the Canada Paper Company on September 30, 1955.

Quality Paper Bags Limited and Quality Distributing Corporation Limited

Quality Paper Bags Limited was a manufacturer of paper bags and began business in 1940. During the war only grocery bags were manufactured but in 1945/46 machinery was installed which made it possible to manufacture flat and square bags.

Around 1945 or 1946 an affiliated paper distributing operation was organized and carried on in the name of Quality Paper Products. This enterprise was engaged in distributing the bags produced by Quality Paper Bags Limited and such things as wrapping papers, gum tapes, twines and other paper and shipping sundries to the retail and industrial trade and to small tobacco, grocery and confectionery jobbers. Subsequently around 1947 or 1948 this distributing business was incorporated as Quality Distributing Corporation Limited.

Originally the plant of Quality Paper Bags Limited was located at 544 King Street West, Toronto, but in December 1948 the plant was moved to 66 Fraser Avenue where it continued to operate until March 1, 1955.

On June 1, 1954 all of the stock of Quality Paper Bags Limited and Quality Distributing Corporation Limited was sold to Lawson & Jones Limited, London, Ontario (See Bradshaw's). Quality Paper Bags Limited ceased operations on March 1, 1955 and the plant and inventory were sold and the space at 66 Fraser Avenue vacated. Quality Distributing Corporation Limited continued to

operate after this time from a relocated address at 149 Sterling Road, Toronto until early in 1957 when its operations were liquidated.

Quality Paper Bags Limited, during the time which it operated did sell some specialty bags but these bags constituted only a very small proportion of the total sales of the Company. The bags in question were purchased from outside sources principally Atlantic Paper Products, Limited, Toronto, T. B. Burton & Sons Limited, Toronto, Lakeshore Paper Products, Toronto and Angus Paper Products Ltd, East Angus, Quebec.

Mr. Ben M. Manson apparently organized both companies and was President and General Manager. Part of the Sales Agreement drawn up when these companies were sold to Lawson & Jones Limited stipulated that Mr. Manson was to continue in this capacity for a period of two years (until June 1, 1956) and he did in fact continue as President and General Manager of Quality Distributing Corporation Limited for that period of time.

E. S. & A. Robinson (Canada) Limited, 69 Laird Drive,
Leaside, Toronto 17, Ontario

E. S. & A. Robinson (Canada) Limited, with head office and plant in Toronto, are printers and converters of paper, film and foil materials. The Company waxes, coats and laminates papers, films and foils and manufactures bags and wrappers. In addition the Company diecuts labels, does litho, letterpress and rotary printing and assembles calendars. The Company produces flat, wedge and square bags of paper, foil and film; foil labels, pouches, wrappers and laminated sheets; cellophane, polyethylene and pliofilm wrappers; printed paper labels, folders, booklets and displays; coated paper seals, paper and board; waxed paper wrappers and bands and calendars, greeting cards and advertising novelties.

The only plant of the Company is located at the above address. Branch offices of the Company, engaged in selling, are located at Halifax, St. John, Montreal, Ottawa, Hamilton, London, Winnipeg, Calgary and Vancouver. The Company is a wholly-owned subsidiary of E. S. & A. Robinson Limited, Bristol, England.

Specialty bags are sold by the Company in the Maritimes, Quebec, Ontario and Western Canada.

Wedlock Paper Bag Company Limited, 1209 King Street West,
Toronto, Ontario

Wedlock Paper Bag Company Limited manufactures specialty paper bags, printed cellulose and polyethylene films, foil

bags, carry out bags and sewn liner bags. Such products as specialty paper bags, printed cellophane bags, rolls and sheets, polyethylene bags, foil bags, creped kraft bags, carry out bags and creped kraft slippers are produced. There is only one plant and place of business located at the above address. Sales are made mainly in Ontario and Quebec with smaller quantities disposed of in the Maritimes and Western Canada.

B. Other Companies

Allied Paper Products Ltd., 946 Richards Street,
Vancouver 2, British Columbia

The Company was established in September 1953 and is engaged in the manufacture of paper and cellophane bags. In addition the Company also markets paper products purchased from other sources but this activity is a relatively small part of the Company's overall operations. A large proportion of the specialty bags manufactured by the Company are flat and gusseted notion and millinery bags. The office and plant is located at the above address and there are no other branches. Sales are made to retailers and distributors with all sales confined to Western Canada.

Angus Paper Products Ltd, 840 Sun Life Building,
Montreal, Quebec

The Company manufactures paper bags and converts white and kraft paper into towelling. Such products as S.O.S. grocery bags, notion and millinery bags and paper towels are produced. All of the Company's specialty bags are manufactured from kraft paper. The only plant of the Company is located at East Angus, Quebec and there are no branch offices or warehouses. Angus Paper Products Ltd. is a wholly-owned subsidiary of St. Lawrence Corporation Limited, which latter Company and Angus Paper Products Ltd. have the same head office address at 840 Sun Life Building, Montreal. All of the Company's specialty bags are sold to W. J. Bell Paper Company Limited, Toronto, Brompton Distributing Limited, St. Lambert, Quebec and Richmond Paper Co. Ltd., Halifax, Nova Scotia, (W. J. Bell Paper Company Limited and Brompton Distributing Limited are subsidiaries of the St. Lawrence Corporation Limited - Financial Post - 1957 Survey of Industrials). The specialty bags produced by the Company are marketed in Ontario, Quebec and Maritimes.

Atlantic Paper Products, Limited, 49 Underwriters Road,
Scarborough, Ontario

Atlantic Paper Products, Limited are manufacturers of paper bags with one plant and place of business located at the above address. The Company manufactures S.O.S. Grocery bags and sacks, dry cleaner bags and specialty bags. The Company's products are marketed in Ontario, Quebec and the Maritimes.

T. B. Burton & Sons Limited, 231 Front Street East,
Toronto, Ontario

T. B. Burton & Sons Limited are manufacturers of paper bags producing such products as notion and millinery bags, shoe bags, bread bags, bottle bags, ice cream bags, candy bags, glassine and cellucine bags and waxed sandwich bags. In addition to glassine and cellucine, kraft, waxed paper and sulphite paper are used in the manufacture of these bags. There is only one plant and place of business located at the above address. The Company sells in Ontario to wholesalers and jobbers.

Dominion Blank Book Co. Limited, St. Johns, Quebec

This Company is apparently engaged in the production of envelopes, stationery, various business forms and books, and specialty bags to a lesser extent. Machinery for the manufacture of specialty bags was purchased about twenty years ago and such bags as notion and millinery and glassine bags were produced. This latter phase of the manufacturing process was carried out in a very limited way during the war years. The production of specialty bags amounted to approximately two per cent of the Company's sales in 1955 and dropped to about one and one-half per cent in 1956. There is a declining interest by the Company in specialty bags due in part to the low prices prevailing for such bags and also to the old equipment in use by the Company.

Sales are effected directly by the Company's salesmen and it would appear that branches of the Company are located in Toronto and Montreal.

Dominion Containers Limited, 6240 Park Avenue,
Montreal, Quebec

Dominion Containers Limited are manufacturers of set-up, folding and corrugated boxes. The Head Office is located at 6240 Park Avenue, Montreal where folding and set-up boxes are manufactured. A branch plant manufacturing corrugated boxes is located at 2755 Viau in Montreal. Sales are carried on in the

Province of Quebec and included in these sales are small quantities of notion and millinery bags which the Company purchases from Angus Paper Products Ltd.

Gummed Papers Limited, 12 Henderson Avenue,
Brampton, Ontario

The Company currently produces such products as flat or non-curling and gummed kraft paper and sheet and roll form, laminated paper, creped paper, plain, laminated and waxed; special coatings and laminated aluminum foil. No bags of any kind are manufactured. The plant is located in Brampton and sales offices are located in Montreal, Toronto and Hamilton with warehousing facilities in Montreal and Toronto.

The Kennedy Car Liner & Bag Company, Limited, 669 Dundas
Street, Woodstock, Ontario

The Company manufactures paper bags, covers and liners from kraft and polyethylene. Included in the products manufactured from kraft paper are shopping bags, dry cleaner bags, hanger protectors, fur coat storage bags, hardware bags, continuous tubing, mattress bags, beef bags from wrinkled kraft and waxed kraft, bag and barrel liners, broom bags, furniture covers, casket covers, box and carton liners from waxed or plain kraft, laundry bags, foam rubber cushion bags, pallet covers for furniture storage and blanket bags.

The Head Office and plant of the Company are located at Woodstock, Ontario and there is a sales office in Toronto. The Company's products are sold from coast to coast with some sales effected through distributors. Included in the companies acting as distributors for The Kennedy Car Liner & Bag Company, Limited are Lawson & Jones, Limited at London, Ontario and J. C. Wilson Limited in Montreal. While the Company referred to its entire production as "specialty bags" it is doubtful that very many, if any, of the products listed above could be properly included within our definition of "specialty bags".

J. A. L'Abbe Enrg., 6316 Papineau Avenue,
Montreal, Quebec

This Company, under the above name, was engaged in the manufacture of bags until about November of 1957 when a change of ownership took place and the name of the Company was changed to the Atlantic Bag Corporation. About 75 per cent of the bags produced by this Company were charcoal bags with notion and millinery bags accounting for the remainder of the production.

Lakeshore Paper Products, 1379 Bloor Street West,
Toronto, Ontario

The Lakeshore Paper Products are manufacturers of folding boxes and paper bags, dry cleaner bags and notion and millinery bags. These products are made from kraft paper. The Company is not a distributor and sales of specialty bags are made to Albany Paper Products, Lewis Paper Wholesale and Regal Paper Products. There is only one place of business as set out above and specialty bags are marketed in Ontario.

Molson Bag & Paper Limited, 230 Eighth Street,
New Toronto, Ontario

The Company manufactures paper and cellophane bags and in addition distributes the products of other paper converters. All of the business of the Company is carried on from the above address. Included in the products manufactured are grocery bags, grocery sacks, bread bags, candy bags, dry cleaner bags, fur coat bags, hardware bags, ice cream brick bags, kitchen bags, shirt bags, laundry bags, lunch bags, notion and millinery bags, potato bags, sandwich bags, shoe and shoe repair bags and cellophane bags. In addition the Company distributes wrapping paper, gummed tape, waxed kraft, twines, shopping bags and folding boxes purchased from other converters. The Company's products are marketed in Ontario, Quebec, Maritimes and Western Canada both directly and through the use of distributors.

Pyramid Paper Products Limited, 451 St. Sulpice Street,
Montreal, Quebec

This Company was formerly engaged principally in the manufacture of paper bags. Some years ago toilet tissue, cake boxes and paper napkins were added to the lines manufactured but in recent years only a converting plant has been operated producing principally stock-size grocery bags and stock-size notion and millinery bags. There was no sales organization attached to the Company. Almost the entire production of the Company was marketed through two distributors, The MacGregor Paper & Bag Company, Incorporated and Snelling Paper Sales Limited (Ottawa). In July 1957, the only plant of the Company, located at Morrisburg, Ontario was expropriated by the Ontario Hydro Electric Corporation and since that date the machinery of the Company has been sold. The Company is currently inactive but has retained its charter. Sales were formerly made in the Maritimes, Quebec and Ontario.

The Ratcliff Paper Company, Limited, 1 Dartnell Avenue,
Toronto, Ontario

The Ratcliff Paper Company, Limited is a distributor of paper and paper products and since 1947 has been a subsidiary of J. C. Wilson Limited. The sales of specialty bags are very few and these bags are supplied to The Ratcliff Paper Company, Limited by Appleford Paper Products Limited, T. B. Burton & Sons Limited, The Kennedy Car Liner & Bag Company, Limited, E. S. & A. Robinson (Canada) Limited, Specialty Paper Products Limited, Victoria Paper Co. Limited, The Continental Paper Products, Limited, Wedlock Paper Bag Company Limited and J. C. Wilson Limited. All of the business of the Company was conducted from the above address. Specialty bags are sold in Ontario only and as at December 31, 1957 the Company ceased to operate. Its assets have been sold to J. C. Wilson Limited and its business will be carried on as a division of J. C. Wilson Limited.

Reynolds Aluminum Company of Canada Limited, 1405 Peel Street,
Montreal, Quebec

The Company is engaged in the production of aluminum strips, sheets, foil and packaging products including foil bags, "Wedge" and "Pouch" type bags, cigarette foil, reflective insulations, labels, boxes, printed overwraps such as butter, chocolate, powdered milk and bread wrappers. The Company is also engaged in the lamination of foil to paper by various means including wax, lacquer or glue either printed or coloured. The Company has a plant located at Cap-de-la Madeleine, Quebec with branch offices at Amherst, Nova Scotia, Moncton, New Brunswick, Toronto, Ontario, Winnipeg, Manitoba and Vancouver, British Columbia. In addition there is a warehouse located in Vancouver. The branches perform a distribution function only. The products of the Company are sold in the Maritimes, Ontario, Quebec, Manitoba and British Columbia.

Reynolds Aluminum Company of Canada Limited is controlled by Reynolds International Inc. and came into existence on November 2, 1955. At that time Reynolds of Canada acquired all of the capital stock of Foils Investments Limited, which Company in turn held the capital stock of Dominion Foils (Canada) Limited. Since that time the Charter of Dominion Foils (Canada) Limited has been surrendered and application has been made to surrender the Charter of Foils Investments Limited. Foils Investments Limited was an investment company which came into being on August 17, 1945 for the purpose of controlling the shares of Dominion Foils (Canada) Limited.

Dominion Foils (Canada) Limited came into being on December 11, 1944 for the purpose of manufacturing aluminum in

different forms with foil bags forming a very small proportion of the total business. On October 19, 1951 Aluminum Rolling Mills Limited was organized for the purpose of managing the affairs of Dominion Foils (Canada) Limited. A Return of Information received from Clairbrand Inc. (previously Aluminum Rolling Mills Limited), stated that between 1949 and 1955 Aluminum Rolling Mills Limited managed the affairs of Dominion Foils (Canada) Limited by virtue of a management contract between the two companies. Apparently this statement was intended to read between 1951 and 1955 as the Aluminum Rolling Mills Limited did not come into existence until October of 1951. During this period it would appear that the operations were conducted under the name of Aluminum Rolling Mills Limited whereas previous to the fall of 1951 it would appear that the operations were operated as Dominion Foils (Canada) Limited. Since October, 1955 Aluminum Rolling Mills Limited, whose name has now been changed to Clairbrand Inc., has been inoperative. The assets previously managed by Aluminum Rolling Mills Limited are now operated as the Reynolds Aluminum Company of Canada Limited.

Rosenbloom Paper Supply Co., 6800 Hutchison Street,
Montreal, Quebec

The Company is a distributor of paper products and does not perform any manufacturing functions. The specialty bags which the Company distributes are manufactured by Associated Paper Mills Ltd. which is an affiliated Company. (Rojak Corporation, 6800 Hutchison Street, Montreal, Quebec, owns controlling interest in the Rosenbloom Paper Supply Co. and in Associated Paper Mills Ltd.). The premises are located at one address only and sales are made in Quebec and Ontario.

Specialty Paper Products Limited, 64 Temperance Street,
P.O. Box 1120, Bowmanville, Ontario

The Company is a manufacturer of various types of bags, covers and liners including dry cleaner bags, shopping bags, wetwash bags, flat and wedge bags made to the customer's order, both plain and printed, mattress bags, chair and chesterfield covers, refrigerator and stove covers, case and handmade liners. All of these bags are made from kraft sulphite or waterproof kraft and the Company does not produce any bags made of glassine, celluline or foil. The products are sold principally through distributors but some of the hand made lines are sold directly to the consumer. The sales area includes Ontario, Quebec, the Maritimes and Western Canada. While this Company refers to its entire production as "specialty bags" these types of bags do not appear to come within the definition of a specialty bag as it is used in this investigation.

Weissshuhn Paper Converting Co. Ltd., 27 Blvd. Scraire,
Brucy Ile-Perrot, Quebec

This Company manufactured flat style, foil and paper bags and began production in 1955 presumably about March. Originally the premises of the Company were located at Sayabec, Quebec and subsequently moved to the address set out above. It would appear that all or part of the bags manufactured by this Company fell within the definition of specialty bags as used in this Statement. This Company was declared bankrupt on December 17, 1957 and is now in the hands of trustees.

Wentworth Paper Products, Fruitland, Ontario

This Company is engaged in the manufacture of kraft and glassine printed bags with all operations of the Company located at Fruitland, Ontario. Sales are effected throughout Ontario and Quebec and through one distributor located in London, Ontario.

J. C. Wilson Limited, 5435 Ferrier Street, Town of Mount Royal,
Montreal 9, Quebec

The Company is a paper manufacturer and distributor with a box plant located at Lachute, Quebec, a paper mill at Lachute Quebec and a groundwood plant at St. Jerome, Quebec which is currently closed. In addition to the Head Office in Montreal, the Company has sales branches located at Montreal, Winnipeg and Vancouver. The Montreal and Winnipeg branches distribute paper products manufactured by J. C. Wilson Limited and by other paper suppliers. The Vancouver branch distributes paper products produced by manufacturers other than J. C. Wilson Limited. In addition J. C. Wilson Limited have two subsidiaries, The Ratcliff Paper Company, Limited, Toronto and The Windsor Paper Company Ltd. in Windsor who distribute the products of J. C. Wilson Limited and other suppliers. (See The Ratcliff Paper Company, Limited).

The Company manufactures such products as SOS grocery bags, millinery and notion bags, bread bags, shoe bags, hardware bags, potato bags, kraft sacks and bags and sacks of other types, plain or printed. The box plant produces folding boxes, plain or printed and/or waxed, ice cream pails, oyster pails, shipping tags, while kraft papers, paper bags and towelling are produced by the paper mill. Sales of bags are made in Quebec, Ontario and the Maritimes.

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